



90% of Canadians Are Making This Massive TFSA Mistake

Description

The good news is, millions of Canadians are taking advantage of TFSAs and their powerful wealth-building benefits.

According to the most recent numbers available from the Canada Revenue Agency, 13.5 million Canadians have at least one TFSA account, with the average person having their capital spread between 1.5 different accounts. Out of those 13.5 million total account holders, some 7.8 million people contributed to their accounts during the last calendar year with 5.7 million people choosing not to.

To put these numbers into perspective, there are approximately 30 million adults in Canada. That means nearly half of all adults have put money to work in a TFSA, and more than 25% have contributed recently.

Some naysayers may say such news is a little depressing, pointing to the fact that more than half of Canadians aren't putting any money away for their future. I'd love to see every Canadian save, but we need to admit that it just isn't possible. Besides, the TFSA contribution room will still be there once these folks start saving.

One thing that did alarm me about the numbers is how few Canadians are maxing out their contributions.

Only 10% of TFSA holders are doing this important thing

A total of 1,390,470 Canadians has maximized their TFSA contribution room. That's encouraging; these folks are well on their way to a comfortable retirement. In fact, many are likely to become [TFSA millionaires](#).

But it also tells us that more than 12 million Canadian TFSA holders haven't maximized their contribution room. That means 90% of TFSA holders are making a big mistake by not contributing all they can to the account.

If you wanted to get really pessimistic, it also means that out of approximately 30 million Canadian adults, only a little over 4% of them have seized the bull by the horns and maxed out their TFSA contribution room. That's ... not very many.

How can Canadians contribute more?

Many Canadians are putting money away in both TFSAs and RRSPs, even though the latter might not make sense for many folks. This is especially true if you're in a lower tax bracket.

More emphasis needs to be put on saving, too. I understand life is expensive, especially in cities like Toronto or [Vancouver](#). But many people don't practice good personal finance habits like taking their lunch to work or driving a reasonable used car.

I also think finding stocks you're excited to own will also help the average person place more of an emphasis on investing. Let's take a closer look at a stock I really like: **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)).

Why A&W?

One of the main reasons why I was attracted to A&W shares in the first place is because there are few things I like more than a Mozza Burger and onion rings.

Once I did a little more research, I discovered there's much more to like. A&W's management team has done a terrific job emphasizing fresh ingredients and good quality products. The marketing is top-notch, too. And many promotions end up being huge home runs, like last year's **Beyond Meat** burger.

Long-term growth will come from two different sources. The first is same-store sales increasing, something A&W does well by driving traffic with great promotions and by refusing to become a discount chain. This makes it easier to raise prices. The company is also growing its restaurant count; it now has more than 930 locations, making it the second-largest burger joint in Canada.

A&W's history of excellence has translated into fantastic long-term returns. Over the last decade, including reinvested dividends, A&W has generated a 15.9% annual return. That's enough to turn an original investment of \$10,000 in November 2009 into something worth more than \$45,000 today.

Another reason to invest is the company's excellent dividend. Shares currently yield a robust 5.2%. And remember, the stock has consistently grown the payout as sales increase. In fact, it has increased the distribution six times since the beginning of 2018 alone.

But perhaps the most important reason why I own A&W shares is because I'm excited to do so. I like knowing I get a small piece of the profits every time someone bites into a Teen Burger. If more people had this attitude, then perhaps more would make it a priority to max out their TFSAs.

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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