



Canada Revenue Agency: 2 Tips to Keep Your TFSA Penalty Free

Description

As tax season approaches, it's time to make sure you won't run into any TFSA problems with the Canada Revenue Agency (CRA). Since your TFSA is likely the first investment account you try to max out, make sure you are [avoiding some common mistakes](#) that will get you in trouble with the CRA.

Avoid overtrading

If you turn your TFSA into a professional trading account and earn a lot of money, you will likely catch the attention of the CRA. There have been cases of people making lots of trades in their TFSA and building it up to massive amounts, only to find themselves having to pay taxes plus penalties on top of what they earned.

There is no strict guideline on exactly how much trading is overtrading, so it's better to err on the side of caution.

Avoid overcontributing

While it is easy to look up your maximum per year you can contribute to a TFSA, other tricky rules might get you an overcontribution penalty. The first tricky rule is if you withdraw money from your TFSA, that contribution room won't be available until the next calendar year.

The second tricky rule is if you transfer your TFSA between financial institutions, make sure you do it in kind and not in cash. If you transfer in cash, this means you would have sold off then withdrawn your TFSA, so looking back to the first rule, this contribution room wouldn't be available until the next year.

Grow your TFSA

Of course, if you aren't able to grow your TFSA anyways, that is a bigger problem than getting penalties on it. A tried-and-true way of [getting your TFSA larger](#) is by buying good stocks such as **Enbridge**

([TSX:ENB](#))([NYSE:ENB](#)).

Enbridge, Canada's oil and gas midstream giant, has been a TSX index leader for many years now. The firm operates the world's longest extended crude oil and liquids transportation system. The company is the largest energy infrastructure company in the region. Its pipes are found in Canada and the U.S.

In 2019, Enbridge will transport a staggering 25% of all North American crude. That includes about 63% of U.S.-bound Canadian exports. The company's natural gas system will carry 18% of all the gas consumed in the U.S.

Enbridge also controls an extensive portfolio of renewable energy assets in North America and Europe. About half of Enbridge's earnings in 2019 will come from its liquids pipelines, with gas transmission pipelines and gas utilities contributing 30% and 15%, respectively.

A \$10,000 investment in Enbridge 10 years ago would be worth \$35,000 today with dividends reinvested. Had you invested in Enbridge in your TFSA, all the capital gains and dividend income would have been tax-free.

Conclusion

Beware of the CRA with your TFSA. First, grow your TFSA using great stocks like Enbridge. Then after you are close to maximizing your TFSA, avoid overcontributing and overtrading.

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Date

2025/08/20

Date Created

2019/11/16

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