3 Reasons to Open a TFSA Right Now

Description

If you don't have a TFSA, you're making a big mistake. TFSAs are one of the easiest ways to get on the path to financial freedom. Plus, they're as close as it gets to free money.

You don't have to commit to saving thousands of dollars today. In fact, you only need a little to become a millionaire. Whatever has stopped you from opening a TFSA — whether it be time, money, or uncertainty — make today the day you set things right.

If you're still on the fence, the following reasons should sway you.

It's free money

In this world, there aren't many opportunities to get free money. Like the saying goes, if it sounds too good to be true, it probably is. Perhaps the only exception is a savings account like a TFSA.

No one likes to pay taxes and, for the most part, they're unavoidable. As Benjamin Franklin once wrote, "In this world nothing can be said to be certain, except death and taxes." That's largely true, *except* if you have a TFSA.

TFSAs shield your money from dividend and capital gains taxes, which could otherwise eat up one-third of your earnings. There's no catch here. No string attached, either. As long as your money is in a TFSA, you'll pay no further taxes. Don't pass up this free lunch.

You can stay flexible

Even though a TFSA is protected from taxes, you can still invest in just about anything you'd like. Any stock, bond, or mutual fund is fair game. You can even simply hold cash, although a short-term bond fund is likely a better solution.

Additionally, you can withdraw your TFSA savings anytime you want for any reason. There aren't any penalties or early withdrawal taxes. This makes opening a TFSA a no-brainer. It's suitable for both short-term and long-term saving goals, with no limitations.

If you have money invested, and it's not in a TFSA, you're making a classic mistake. Always maximize your TFSA contributions before focusing on accounts that aren't shielded from taxes.

Dollars add up

The earlier you open a TFSA the better. Here's a powerful example.

Let's say you invest $50 per week in a stock like **Fairfax Financial Holdings**, which has produced 17% annual returns since 1985. After 10 years, you'll have nearly $70,000. After 20 years, you'll have close to $200,000. If you can continue contributing $50 a week for 30 years, you'll end up with roughly $2 million. That's a huge nest egg generated from a relatively modest weekly contribution.

The lesson here isn't that you need to invest huge sums to get rich. Instead, you simply need time. Time is one of the only resources that you can never get back, so if you're not invested in a TFSA today, you're missing out on a truly once-in-a-lifetime opportunity.

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