



Canada Revenue Agency: 33% of Canadians Are Making This Huge TFSA Mistake

Description

The Tax-Free Savings Account (TFSA) was introduced back in 2009. The Canadian government introduced TFSAs to encourage Canadian families to save more money. The account type is the perfect tool that can help you to achieve a wide range of your savings goals. A lot of people even consider it a remarkable investment vehicle.

According to the Canada Revenue Agency, however, a third of all Canadians are making a colossal TFSA mistake. They do not know about some critical intricacies of TFSAs. If you don't know about it already, you should know that there is such a thing as a maximum contribution limit for your TFSA.

Not knowing about the maximum contribution limit can lead to one of two possibilities. You can fail to utilize your TFSA to its full potential by [not contributing enough](#). The other possibility is that you might contribute too much to your TFSA, which can result in tax penalties.

If you are also unaware of this TFSA mistake, here's what you should understand so that you can utilize your TFSA fully and avoid tax penalties due to over-contribution.

Understand what your TFSA contribution can be

The first thing is to understand how much you can contribute to this account type. The maximum contribution limit for TFSAs is increasing every year. If you have never contributed to a TFSA, you can deposit \$63,500 — ergo, the aggregate amount of money you could have contributed since the account was introduced.

If you already have contributed to your TFSA, you will need to do a little homework about the contribution limit. For instance, the contribution limit increased by \$5,000 per year between 2009 and 2012. For 2013 and 2014, the limit increased by \$5,500 per year. In 2015, the amount increased to \$10,000. Between 2016 to last year, the contribution limit went down to \$5,500.

In 2019, the contribution limit was changed again to \$6,000 per year. Based on these numbers, the

total amount you can contribute to your TFSA right now is \$63,500. Conduct your due diligence and calculate the total contributions you've made to your TFSA.

If you are an investor who has a sizable amount of idle cash, then \$63,500 is the maximum amount right now that you should not surpass. Contributing a total that exceeds this amount will result in tax penalties, which defeats the purpose of the TFSA. By keeping track of your investments and being aware of the max contribution limit, you can max out your TFSA without incurring penalties.

How to make the most of your TFSA

You can store a variety of investment vehicles worth the monetary amount of the maximum contribution limit — including stocks like **Toronto-Dominion Bank**. The brilliant thing about TFSAs is that any investment vehicle — once stored in the TFSA — will not be taxed anymore.

A bank stock like Toronto-Dominion is a safe investment that is likely to see consistent capital gains in the long run. Storing TD means that the total wealth you accumulate can be much larger than your contribution limit. On top of capital gains, TD provides shareholders dividend payouts at a yield of 3.86%. TD is also a big bank and is likely to continue performing well over the years.

Foolish takeaway

If you practice discipline and consistency, your TFSA can [make you a millionaire](#). Between the consistent growth and the tax-free addition of free cash, thanks to dividend payouts, you can become a millionaire. My advice is to fully understand the TFSA and make the most of it instead of just using it to store cash.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks

3. Investing

Tags

1. Editor's Choice

Date

2025/09/11

Date Created

2019/11/18

Author

adamothonman

default watermark

default watermark