



Canada Revenue Agency: 43% of Canadians Are Making a Huge TFSA Mistake

Description

The Tax-Free Savings Account (TFSA) was introduced by the Canadian government in 2009 to encourage Canadians to save more money. In the decade since its launch, the account has helped countless Canadian families get on the path to a stable, safe, and secure future.

The TFSA allows you to achieve a variety of your savings goals. You can use the TFSA account to hold a certain amount of cash or assets equivalent to that amount. The total contribution room increases in TFSAs every year, with the current limit being \$63,500.

With this account, you can save a considerable amount through tax-sheltered growth on your investments. You do not need to pay penalties or taxes on withdrawals either. Using the contribution room allows you to take full advantage of the [benefits a TFSA offers](#).

Of course, you need to have a TFSA in the first place — and that's the biggest TFSA mistake that Canadians are making right now.

One mistake to avoid

According to the figures obtained by **Royal Bank of Canada's** latest Financial Independence in Retirement polls, 57% of Canadian families own and use a TFSA.

A few years ago, many Canadians didn't even know what the TFSA was and how it could benefit them. Almost 10 years past the initial introduction, you would expect more people to use the account.

If you don't have a TFSA yet, you can correct the mistake: get a TFSA and use it.

How to use it

Creating a TFSA and using it wisely are two different things. In case you believe that TFSA is an ideal account type for savings in cash, you will be wasting your account.

Rather than storing some money in your TFSA, I suggest you consider a stock like **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)).

Any investments held in your TFSA will be free of taxes. While they are held in the account, any asset earnings will also be sheltered from any taxation.

Investing in a stock like Brookfield can allow you to leverage the [capital gains](#) of the company. Brookfield continues to perform well, its global operations are growing and its earnings are reliable.

2019 has been a fantastic year for the company. The current share price of \$69.04 is a 45% increase in value from the start of the year.

In the past five years, the company has more than doubled in value. As a shareholder of the company, the immense growth of the company's share prices in your TFSA can drastically increase your overall wealth – completely free of taxes.

Additionally, Brookfield pays its shareholders dividends at a 2.72% yield. Holding shares of companies like Brookfield do not just enable you to become wealthier due to capital gains. You also stand to earn extra cash in your account through its dividends.

Foolish takeaway

If you don't already have a TFSA, it's about time you apply for it. Brookfield might not be the only stock you should buy and hold in the account, but I think it could be a vital part of your overall portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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