



## Canada Revenue Agency: Here's What You Should Do With Your TFSA Contributions

### Description

The Tax-Free Savings Account (TFSA) is a fantastic investment vehicle for everyone. You can buy a variety of investments, such as mutual funds, bonds, and stocks, without ever having to pay taxes to the Canada Revenue Agency (CRA) on your capital gains and dividend income.

However, you mustn't exceed the contributions limits, or the CRA may charge you a 1% penalty on the excess amount. For 2020, the contribution limit is \$6,000. This is the maximum you can contribute to your TFSA in 2020 if you have contributed the maximum each year since the TFSA creation and haven't made any withdrawals.

Many Canadians don't know how to use their TFSA wisely. Many still think that a TFSA is only a savings account. You shouldn't waste your contributions by putting them in a savings account, as the interest paid is very low (around 1%). A better way to use your TFSA is to invest your contributions in stocks, which can give you higher returns.

### Stocks you should buy in your TFSA

If you want to get strong and consistent returns over several years in your TFSA, you should pick profitable businesses.

**National Bank of Canada** ([TSX:NA](#)) is one of them. The bank delivers consistent [high growth](#). Indeed, National Bank has managed to increase EPS by 24% per year over three years. The Montreal-based bank is well positioned to continue supporting this type of growth, so shareholders should benefit.

Canada's major banks had a hard time in 2019, especially in the fourth quarter, when most of them reported higher loan-loss provisions, large restructuring costs, and poor results from their international operations.

National Bank, the smallest of the six major Canadian banks, was the exception, posting double-digit increases in EPS and return on equity (ROE). It has also rewarded shareholders with a 4% dividend increase. The dividend yield is currently 3.7%.

Investing in National Bank is mainly an investment in Quebec, where the bank does most of its business. The above-average economic performance of Quebec should continue for several years due to strong growth in business spending and the growth of the active population.

Since Quebecers have, on average, less mortgage debt than their counterparts in real estate markets like Toronto and Vancouver, National Bank has a loan portfolio with lower risk than its peers in the Big Six. The bank was also spared restructuring costs thanks to its clever management of cost control.

The bank's stock is undervalued, trading at a P/E of only 11.6.

**Toromont Industries** ([TSX:TIH](#)) is another interesting company that you should consider for your TFSA. This infrastructure company operates one of the world's largest networks of **Caterpillar** dealers, from Manitoba to Newfoundland and Labrador, extending north to Nunavut. Caterpillar is the world leader in heavy machinery for the construction, mining, and forestry industries.

Although Toromont's main activity is in Canada, it also has some international exposure, particularly in the United States. Canada, like the United States, suffers from a huge infrastructure deficit, which, for Canadian municipalities alone, represents about \$120 billion in necessary replacement or the modernization of transport, water, electricity, healthcare, and education systems.

Toromont's revenues have more than doubled in the past five years. Profits have increased by 15% over that period on an annualized basis. Toromont's stock has grown steadily. It has more than doubled in the past five years, and this trend is expected to continue with the company's double-digit revenue growth forecasts for 2020. Toromont has a [high ROE](#), around 20%.

The infrastructure company pays a dividend, which currently has a yield of 1.5%. Toromont has been paying a dividend for 29 years — a sign that the company is managing its expenses well.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)
2. TSX:TIH (Toromont Industries Ltd.)

## 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

2025/07/02

### Date Created

2020/01/17

### Author

sbchateauneuf

default watermark

default watermark