



TFSA Investors: Your 2020 Contribution Limit May Be Less Than You Think!

Description

Are you a TFSA investor eager to take advantage of the increased contribution space you'll enjoy in 2020?

I hate to be the bearer of bad news, but your total accumulated space may be lower than you think. Although you're definitely getting the \$6,000 you were promised this year if you're 18 or older, you may not have the \$69,500 in *cumulative* space that you may have heard about. In fact, if you just turned 18 this year, then [this year's \\$6,000](#) may be all you have. Let's take a deep dive look at why that is.

Total contribution limit depends on your age

By design, TFSAs don't start accumulating contribution room until the holder is eligible to open one at age 18. So, you don't start accumulating space until you're at least that age. TFSAs were created in 2009, so you need to have been 18 that year to get the [full \\$69,500](#) that's often quoted.

For every year it took you past 2009 to turn 18, you have to knock a year's contribution space off your total. If you don't turn 18 until next year, you'll have to wait until 2021 to open an account and start accumulating space.

How to find out your contribution limit

If you're not sure what your exact TFSA contribution limit is, you can find it by logging into your personal tax account on Canada.ca. If you've never logged in before, you go to Canada.ca, click "sign into an account," then on the next page, click "personal" under "My Account with CRA." Once logged in, you'll be able to see your RRSP and TFSA contribution limits.

What to do

If you're concerned that a low TFSA contribution limit could hurt your returns, one option is to invest

aggressively in high-growth stocks. Growth stocks that outperform the market can easily turn a small TFSA balance into a large one, forming the basis for larger investments later.

One great example of such a stock is **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Since going public in 2015, SHOP has risen over 1,500%, making it one of the biggest TSX gainers in the last five years. Year in and year out, Shopify has delivered revenue growth of 45% or greater, which has driven even more impressive gains in its stock price.

In the most recent quarterly report, Shopify delivered several pieces of good news. First, it grew revenue at 47% compared to the prior year quarter. Second, it posted adjusted earnings of \$50 million, its highest ever. Finally, it posted \$800,000 in GAAP net income, a first for the company.

Shopify's most recent quarterly report was one of its best in recent memory, and it predictably sent the stock soaring. Shopify shares are now among the most expensive trading on the TSX, but if the company keeps posting earnings like it did for Q4, it may have further yet to fly. Either way, its historical tracks record is a perfect example of how a growth stock can turn a tiny TFSA balance into a large one.

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