



## Canada Revenue Agency: 33% of TFSA Holders Are Making This Mistake

### Description

The Tax-Free Savings Account (TFSA) was introduced back in 2009. Any individual over the age of 18 with a valid social insurance number can set money aside in this account.

The contributions to your TFSA are not deductible for income tax purposes. However, any amount contributed including capital gains are tax free, making investments in TFSA a popular option for Canadians.

The total contribution amount for anyone who was eligible to invest in the TFSA since 2009 stands at \$69,500. The standalone amount for 2020 is \$6,000.

While a huge portion of TFSA holders do not max out contributions, there is a large chunk who also tends to overcontribute, attracting penalties from the Canada Revenue Agency (CRA).

For example, your TFSA account has about \$15,000 at the end of 2018 and the contribution limit for 2019 stands at \$6,000. It means you can now hold \$21,000 in your TFSA (as of December 31, 2019). In case you withdraw \$10,000 in 2019, the total contribution amount available for 2020 stands at \$16,000.

In case of an overcontribution, the [CRA levies a 1% penalty tax](#) per month on the excess amount. So, if you have excess contributions of \$5,000, the tax will be \$50 per month or \$600 for the year.

### How to invest in your TFSA?

As TFSA withdrawals are tax free, it makes sense to allocate riskier investments to this account. Canadians with a long-term horizon can buy and hold growth stocks such as **Cargojet** ([TSX:CJT](#)), a provider of time-sensitive overnight air cargo services.

Cargojet is a scheduled cargo airline operating between 10 Canadian cities. In the last year, the stock has returned 49% compared to the S&P 500 gain of 23%. Since its IPO in February 2011, the stock is up by a staggering 1,300%.

Cargojet is the undisputed leader in Canada's overnight air cargo services space. Almost 90% of Canada's population is concentrated in 10 major urban centres and Cargojet has gained significant traction in these markets.

The company [has a five-year contract](#) with pilots that ends in 2023, making it one of the safest aviation companies to work for. Cargojet has grown sales from \$331 million in 2016 to \$455 million in 2018. Analysts expect sales to reach \$488 million in 2019, \$531 million in 2020 and \$573 million in 2021.

Comparatively, its EBITA is expected to grow by an annual rate of 15.3% between 2018 and 2021, making Cargojet one of the top growth stocks for Canadian investors. The stock has a market cap to sales ratio of 3.35 and an enterprise value to sales ratio of 4.8.

It ended the last quarter with a debt balance of \$716 million and operating cash flows of \$136.7 million — enough to repay principal and interest obligations.

## Foolish takeaway

When it comes to equity investing, investors need to take a long-term view. In the short term, stock markets are volatile but create substantial wealth over a period.

The TFSA account provides a flexible, tax-free option to increase investments and retire with substantial savings.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
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1. Investing

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