



TFSA Investors: How to Turn \$10,000 Into \$130,000 and Pay ZERO Taxes!

Description

It is everyone's dream to get the better of the tax man — so long as you can avoid a stay in prison. Today, I'm going to explore how you can do just that. No, this isn't a tax-evasion scheme. I'm talking about a Tax-Free Savings Account (TFSA)!

The TFSA was launched on January 1, 2009, under the Harper government. At the time, the introduction of the new registered account drew praise from Canada's top financial institutions. The annual limit opened at \$5,000. This limit has been tweaked by subsequent federal governments and now boasts a cumulative total of \$69,500.

All capital gains in the TFSA are tax free. This is one of the reasons the TFSA is one of the [most attractive growth vehicles](#) out there. Today, I want to explore how a \$10,000 investment just five years ago could have netted investors over \$100,000 in tax-free capital gains. That is a nice chunk of change that the Canada Revenue Agency can't touch!

Investing in AI-focused stocks

In the late winter of 2019, I'd discussed why it was so important for investors to [get in early](#) when it comes to artificial intelligence. This market has broad applicability across a variety of sectors, and some of the top tech stocks in Canada are betting big on the development of this tech. The two I will look at today launched IPOs in 2014 and 2015, and investors who got in early have been richly rewarded.

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is an Ottawa-based e-commerce company. This stock has kept on rolling in recent years and looks unstoppable in early 2020. Shares of Shopify surged 7.7% after the release of its fourth-quarter and full-year results for 2019 on February 12. The stock has climbed over 200% from the prior year.

In the fourth quarter, Shopify blew away expectations and posted earnings per share of \$0.43. Revenue surged 47% year over year to \$505.2 million. It affirmed a very promising full-year guidance for 2020.

Five years ago, it would have cost you approximately \$35 per share to stash Shopify in your TFSA. Our hypothetical puts us at \$10,000, so let's say we picked up 150 shares of Shopify at \$35 a piece. That would have been valued at \$5,250 this time in 2015. Fast forward to today, and that same investment would be worth \$105,885. That represents over \$100,000 in tax-free capital gains.

Kinaxis ([TSX:KXS](#)) has been overshadowed by the incredible performance of Shopify over the last half-decade, but this Ottawa-based tech company has been no slouch. Its stock has climbed 41% year over year as of close on February 12. Investors will have to wait until the beginning of March to see its Q4 and full-year results for 2019.

The company launched its IPO in June 2014. Five years ago, Kinaxis stock was priced at approximately \$21.50 per share. In our hypothetical, we will lock in a purchase of 220 shares in February 2015 for a purchase price of \$4,730. Kinaxis stock closed at \$115.50 on February 12. This means that our original shares would be worth \$25,410 at the time of this writing. Investors would clean up yet again with over \$20,000 in tax-free gains over a five-year period.

Tax-free profits in Kinaxis would be able to finance our hypothetical homeowner a new bathroom instead of a new extension. That is still worth celebrating! A \$10,000 investment in these AI-focused stocks in 2015 would have netted us over \$120,000 in tax-free gains.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:KXS (Kinaxis Inc.)
3. TSX:SHOP (Shopify Inc.)

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