



TFSA Investors: Here's 1 Important Change About the TFSA for 2020

Description

If you're a Tax-Free Savings Account (TFSA) investor, you gain another tax advantage in 2020. The Canada Revenue Agency (CRA) has set the new TFSA annual limit at \$6,000. There's no change from the 2019 limit, but the total accumulated TFSA contribution room dating back to 2009 is now \$69,500.

For this piece, I would like to encourage TFSA investors to take full advantage of the important change in the TFSA. The investment vehicle is the best there is, whether you're maxing out your contribution room or using the new \$6,000 annual limit.

Profitable healthcare stock

I won't have reservations having exposure to the healthcare sector if I'm investing in **Extendicare** ([TSX:EXE](#)). This \$773.74 million company is a provider of long-term-care services, retirement living services, and home healthcare services (nursing care, occupational, physical and speech therapy, among others).

Extendicare generates consistent revenue stream because the demand for healthcare services, assisted living, and related medical services are ever increasing. Likewise, this healthcare stock offers an excellent deal to investors.

You can purchase Extendicare at \$8.67 per share and partake of the 5.64% dividend yield. Your \$6,000 TFSA contribution limit can produce a tax-free income of \$338.40, while a \$69,500 investment can generate \$3,919.80 of passive income.

Extendicare was able to earn a leading position in the healthcare industry. After 52 years of operations, its network of senior care and retirement living centres have grown to 120. Still, Extendicare continues to broaden its footprint across the country. There's also a subsidiary operating in the U.S.

Enticing energy stock

To get [value for your money](#), **Peyto** (TSX: PEY) is an enticing investment option for the TFSA. Frugal investors and bargain hunters would find the price of \$2.70 per share and dividend yield of 8.76% irresistible. But this \$445.16 million explorer, developer, and producer of oil and natural gas have attendant risks.

As of this writing, the stock is underperforming and showing a 28.9% loss. Analysts, however, are anticipating a rebound given the growth estimate of 14.1% this year. The high price target is \$5.50, or an increase of 103.7% from its current price.

The recent worries on the global economy had an impact on the energy sector, particularly a levered natural gas producer like Peyto. Natural gas comprises 96% of total production, although the company is starting to diversify and move into drilling operations.

On the positive side, Peyto is a low-cost operator and has been averaging \$139 million in net income over the last three years. In 2020, the plan is to reduce capital investment and use excess cash flow to minimize outstanding liabilities, drill more wells, and increase production.

The path to wealth

In conclusion, the TFSA is a masterful way to achieve short-term financial goals or [build wealth](#) over the long term. It is advisable to maximize the tax-free benefits every year and whenever possible.

Your \$6,000 limit in 2020 can buy shares of bargain stocks with high yields like Extendicare and Peyto. If you can correctly manage your TFSA, the yearly earnings can compound as you navigate the path to wealth.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EXE (Extendicare Inc.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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