



TFSA Investors: 1 Giant Mistake to Avoid That 42% of Canadians Are Making

Description

The Tax-Free Savings Account (TFSA) has been around since 2009. In these 11 years, the account has recently started to become increasingly popular among Canadian families. Despite the increasing use of the TFSA, many Canadian families are failing to realize the potential this account type has to offer.

According to a tally by Statistics Canada, 42% of Canadians are wasting their TFSA contribution room by holding cash. Money stored in your TFSA is wasted capital. This account has the potential to enable you to use your wealth as an income-generating source.

The TFSA has a yearly [contribution limit](#). If you are eligible for a TFSA, you have a contribution limit of \$69,500. The limit increases by \$6,000 every year. Using this account to store cash at the highest interest rates will not help you save a lot of money.

Using dividend-paying stocks

Rather than holding cash in your account and treating it like a simple savings account, you can use the contribution room to invest in and store dividend-paying stocks.

Shares from a dividend-paying stock like **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) can help you use the tax-free status of your TFSA to produce income for you without incurring any income tax on your earnings.

A portion of your TFSA contribution room allocated to shares from the BCE stock can help you get more money earnings out of it than any amount of cash can in a savings account.

BCE

Formerly known as Bell Canada Enterprises, BCE, is one of Canada's largest telecommunications operators. BCE also happens to be a Canadian Dividend Aristocrat with a 10-year dividend growth streak. The stock is trading for \$64.87 per share at the time of writing. It is up by more than 12% this

time last year, and appears likely to grow further.

BCE has enjoyed a [dividend growth](#) of 27% over the past five years. It's continually increasing its dividend thanks to a highly regulated operating environment, massive scale, and predictable cash flow. In its most recent quarter, BCE's earnings increased 12.6% as the revenue came in at an impressive \$6.3 billion.

The company's operating cash flow increased by 17% in the same period, with free cash flow at a fantastic \$894 million. These results are an indication that BCE has no plans of slowing down.

The company is gearing up to take the telecommunications sector in Canada into a new phase through its plans for mobile 5G services and all-fiber broadband internet.

Foolish takeaway

Where you would see nominal gains by holding cash in your TFSA, allocating the same contribution room to a high-yield dividend-paying stock can help you earn fantastic returns with the same capital.

The BCE stock offers an attractive dividend yield of 5.13% at the time of writing. Between juicy dividends and substantial potential for growth, BCE stock could be an excellent starting point for building a strong TFSA portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:BCE (BCE Inc.)

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