2 Ways to Shield More Than $69,500 in a TFSA and Out of the Reach of the Canada Revenue Agency

Description

One of the disadvantages of a Tax-Free Savings Accouny (TFSA) is that its cumulative limit is no more than $69,500 for most Canadians. While that's plenty of room for young investors to build up their investment room, for older Canadians who want to shield more of their investments, it may not be enough.

The good news is that there are ways to hold more than just $69,500 of your investments in a TFSA.

Using another family member's TFSA

If you have a spouse or another family member who has contribution room, the easiest strategy is to give them money that they can contribute to their TFSA. It's a strategy that requires trust, but for two partners saving for their retirement, it means there's potential to shield $139,000 worth of investments.

Although it won't work for everyone, it's definitely the quickest way to increase the number of investments that are held out of the reach of the Canada Revenue Agency. If you're jointly working towards a common retirement goal, it's a great way to maximize your tax-free income. Technically, this can work with any other person's TFSA and it doesn't need to be a family member.

Another option: slowly growing your TFSA

If you're able to grow your TFSA through good investment decisions, you get to keep that space. One of the dangers of being too aggressive with a TFSA is incurring losses and losing the contribution room. The opposite can happen if you're successful and achieve gains. It's by no means as quick as simply having access to another TFSA, but it's another way to increase how much you can shield from taxes.

For example, if you were to turn a $10,000 TFSA balance into $100,000, you'd be able to keep that extra space. You could re-invest into a different stock. Even if you withdraw money from a TFSA, that contribution room gets added back the following calendar year.

If none of those options work, you could just wait

The government has been consistently growing the TFSA by $6,000 every year. And there are no indications that it's planning to stop that anytime soon. If you're not in a rush, you can continue adding $6,000 every year to steadily grow your TFSA.

One way to put that money to work is to buy an exchange-traded fund (ETF) like the **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF** (TSX:CDZ). The fund provides a solid yield of 3.9% per year and contains the top dividend growth stocks on the TSX.

Names like **Inter Pipeline**, **Enbridge**, **NFI Group**, and many others are held in the fund. The largest holding makes up less than 2.5% of its total assets, so there's minimal exposure to an individual stock. It's also evenly spread across different sectors. Financial services, including big bank stocks, account for just 23% of the ETF's total weight. Energy stocks account for 15% and industrials are another large group at 13%.

The fund gives investors a broad mix of dividend stocks. And with the stocks increasing their payouts annually, it's a solid pick for a TFSA. The average price-to-earnings ratio of a stock in the fund is just 14.

The Dividend Aristocrats ETF is a good option for investors who are comfortable with a slow-and-steady approach to growing their TFSAs.

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