



## How to Double Your TFSA Contribution Limit to \$12,000

### Description

Tax-Free Savings Accounts, commonly referred to as TFSAs, are the best savings vehicle in Canada. These accounts allow you to stash away capital out of the reach of the CRA. Your money can grow to [unlimited](#) figures without tax consequences, but there are TFSA contribution limits.

For 2020, the annual contribution limit is set at \$6,000. If you're lucky enough to hit this amount, you deserve congratulations. Pumping your TFSA full of new deposits is a reliable way to build a [fortune](#).

But there's a problem: most Canadians aren't subject to the TFSA contribution limit of \$6,000 this year. In fact, many are eligible to immediately deposit *double* that amount in 2020. How is that possible?

### Know this rule

There are actually *two* TFSA contribution limits. Knowing the difference can add tens of thousands of dollars to your pockets.

The first limit is the aforementioned *annual* maximum, set at \$6,000 for 2020. This limit has varied over the years. It was set at \$5,000 annually from 2009 to 2012, increasing to \$5,500 in 2013 and 2014. In 2015, it spiked to \$10,000, decreasing to \$5,500 from 2016 to 2018. In 2019, the maximum was \$6,000, the same as 2020.

The second limit is your personal *lifetime* maximum. This is perhaps the most important TFSA contribution limit to know.

Canadian residents qualify to open a TFSA on their 18th birthday. That year, they're eligible to contribute the annual maximum. Here's the important thing: unused contribution room *rolls forward* year to year. If you didn't contribute in past years, or didn't hit the annual maximums, you can add the leftover TFSA contribution space to this year's annual limit.

Let's run through an example. Let's say you turned 18 in 2016 and never contributed to a TFSA. If you add the annual maximums for 2016, 2017, 2018, 2019, and 2020, you get \$28,500. This is how much

you're eligible to contribute today, even though it exceeds this year's particular TFSA contribution maximum.

If you turned 18 in 2009, the year the TFSA was founded, you get to add every year's contribution limit to determine your personal lifetime limit. That figure is \$69,500. If you've only contributed \$9,500 over the years, you can instantly add \$60,000 in additional contribution dollars, even though that's 10 times the 2020 annual maximum.

## How to hit your TFSA contribution limit

Few Canadians are able to max-out their lifetime contribution maximums on an annual basis. Doing so takes a steady source of income, but it also requires dedication. You need to save often, even if it's in small increments.

The TFSA contribution limit for 2020 is \$6,000. That breaks down to \$500 per month, or roughly \$125 per week. The best way to reach your annual maximum isn't to deposit \$6,000 at the end of the year, but to invest smaller sums on a regular basis.

Almost every TFSA allows for *recurring deposits*. These automatically withdraw money from your bank account. Suddenly, you don't have to lift a finger to invest additional capital. You can, for example, opt to automatically withdraw \$250 every two weeks. At this rate, you'll meet the \$6,000 annual limit with very little effort.

Many Canadians can't afford this sum, and that's all right. Figure out a number that works for you. Just make sure to establish recurring deposits.

From here, you simply need to pinpoint stocks with lucrative upside to grow your TFSA fortune. Whatever you do, don't fill your TFSA with cash. That's one of the biggest mistakes you can make.

Over the long term, hundreds of **S&P/TSX Composite Index** stocks generate 10% annual returns or higher. Those returns are within reach for most investors, if you're willing to do the research.

Let's say you invest \$3,000 per year with your TFSA. At a 10% annual return, you'll amass \$200,000 after two decades. After 30 years, you'll have \$600,000!

All of this is possible by picking the right Canadian stocks. Thanks to the recent market correction, it's easier than ever to spot bargain investment opportunities.

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**Date**

2025/07/03

**Date Created**

2020/06/04

**Author**

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