



CRA: Canadians Use Their TFSA As a Piggy Bank

Description

Canadians are using their Tax-Free Savings Account (TFSA) more as a piggy bank than as an investment tool.

Many Canadians still use their TFSA as a savings account

More than 10 years after its creation, the TFSA continues to be widely used as a savings account. Its true potential remains untapped. Indeed, consumers don't benefit from the tax exemption or flexible investment options that this tool would allow them to achieve.

Many Canadians hold huge amounts of cash in their TFSAs. [A survey from BMO](#) found that among Canadians who are investing, a majority (62%) have cash in their TFSA, representing over 40% of their account holdings. In contrast, only one-third of Canadians hold cash in their RRSP, making up only 22% of assets held in RRSP.

Canadians clearly don't know how to use their TFSA to its best use. While it can be used as a savings account, it shouldn't. Rather than letting cash sleep in a TFSA, it should be used to produce wealth.

You have the opportunity to buy many kinds of investments in a TFSA like bonds, mutual funds, ETFs, stocks, and options. A TFSA lets you earn investment income—including interest, dividends, and capital gains—tax free.

You won't get richer by parking cash in your TFSA, but you can get richer by investing it in the right investments.

You should seek high returns in your TFSA without taking too much risk, and ideally don't hold cash at all.

[Buying growth stocks](#) is a good way to maximize the potential of your TFSA.

Here are two growth stocks that are doing well despite the pandemic.

Stantec

Stantec ([TSX:STN](#))([NYSE:STN](#)) is an international professional services company in the design and consulting industry based in Edmonton. The 66-year-old company is a major force in infrastructure, one of the key sectors that will define the economy of the 21st century, as cities rebuild to achieve energy and transportation savings.

Stantec's engineering and construction capabilities cover a variety of project types, but the \$4.4 billion business has become particularly skilled in public transit projects.

The company is currently the main engineer or a major partner in the Hurontario Light Rail and Ontario Line projects, the new Réseau express métropolitain in Montreal, and expansions of the Chicago Transit Authority and the Long Island Rail Road networks.

Because they are deemed essential, Stantec projects have obtained derogations from the construction moratoriums imposed during the pandemic.

Stantec shares are among the few to have gained during the pandemic. They are up more than 10% since the start of the year, and more than triple their value of 10 years ago.

Stantec's revenue is expected to rise by 1.7% in 2020 and by 5.3% the year after. Earnings are projected to fall by 3% in 2020. A growth of 25% is expected in 2021.

Thomson Reuters

Thomson Reuters ([TSX:TRI](#))([NYSE:TRI](#)) is a low profile but very profitable player in the information and electronic news sector. Since most of its specialized newsletters for legal, business, tax, and medical professionals are subscription-based, the business is largely protected from economic volatility.

With nearly \$1 billion of cash set aside for acquisitions, the Toronto-based company is looking for new assets to further increase profitability by spreading costs across more properties.

While Thomson's stock is flat year to date, its stock has risen by 20% since its March low. Shares have more than doubling in value over the past decade.

Thomson plans to be one of the few blue-chip companies to report revenue increases this year.

Its revenue is expected to rise by 1% in 2020 and by 4% the year after. Earnings are projected to grow by 36.4% and 4.8%, respectively, for 2020 and 2021.

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