



CRA to Canadians: 33% of You Are Making This Enormous TFSA Mistake

Description

The Tax-Free Savings Account (TFSA) has been the perfect tool for investors looking to get as much out of their income as possible. Not only are you putting aside money for personal gain, whether it's to buy a house or retire, but you're also saving it from taxes. There really is no downside! Well, unless you're investing wrong.

According to the Canada Revenue Agency, unfortunately, about one in three Canadians is using the TFSA all wrong. It can cause you some serious headaches and can even turn your formerly tax-free account into a taxable account. The main problem? Many Canadians are completely unaware of what the contribution limit is. Let's dig into it and make sure you're not making this TFSA mistake.

Know your limit

The TFSA contribution limit as of writing sits at \$69,500. On the outset, it looks like a lot of money that you can use for investing. But the TFSA has been around since 2009, providing investors with more than a decade to put money into their TFSAs. Suddenly, you've been chipping away at that contribution limit for years. That puts quite the damper on things when you finally get down to it.

What you really need to start paying attention to is the annual limit for your TFSA. As of Jan. 1, 2020, that limit was \$6,000. That's still a lot you can do with, especially when you start making automated contributions. All you would need to do is set aside \$500 every month towards investing. Practically everyone can afford to do this.

But before you start putting that money aside, make sure you are [taking full advantage](#) of your TFSA. You want to use up that contribution limit so that you can keep as much money set aside tax free as possible. There are ways to calculate this, but for the purpose of simplicity, just either call CRA, or — even easier — log into the My Account interface on the CRA website. There you will be able to see exactly how much contribution room you have for the year.

You definitely want to take this step, and there's one major reason that's costing people a lot in taxes. If you were to meet your contribution limit, take out money, and then try and contribute again, CRA has

a problem with that. If you've maxed out once, you can't contribute again until next year. So, call CRA before you're unsure.

Once you've figured it out whether you made that TFSA mistake, all you need now is a stable stock to consider investing in. In my opinion, the perfect choice is **Lightspeed POS** ([TSX:LSPD](#)).

Lightspeed

I would never recommend putting all of your contribution room into one stock. However, if you've used up most of that \$69,500 but have your contribution limit for 2020 available, then consider Lightspeed. The stock is already in the booming tech sector, providing investors with a defensive stock that still has a long way to go.

The company had a record-setting initial public offering (IPO), and since then it has got the attention of lots of economists. Lightspeed's point-of-sale system has been picked up around the world, with 90% of its revenue coming from recurring subscription services. The company has seen a strong recovery since the downturn in March, with a one-year return of 18.59% as of writing.

What investors still have to look forward to is the company's [U.S. IPO](#) on the New York Stock Exchange. With most of its clients located in the U.S., this should provide investors with yet another huge boost to the already strong company. So, even a smaller contribution of \$6,000 could see a huge boost.

Bottom line

Make sure you aren't making this TFSA mistake and taking full advantage of your contribution room. By using your TFSA and investing in strong companies like Lightspeed stock, you could see your TFSA soar each and every year.

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