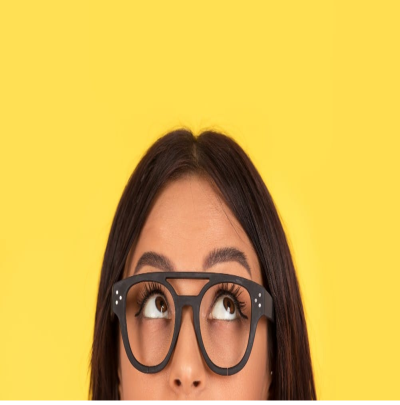

TFSA Investors: Avoid This Massive Mistake

Description

The Tax-Free Savings Account (TFSA) is one of the greatest gifts the government has given to investors. Having the ability to save on capital gains tax, dividend income, and interest income is a massive opportunity for investors.

There are several ways investors may have to pay in investing, whether it's commission on a trade, fees on an investment fund, or taxes to the government. Whatever it is you're paying, these fees can have a massive effect on your long-term investing performance.

And when you consider how much the fees will add up after all the compounding over the years, it's clear that saving on tax or any fee is crucial to maximize long-term performance.

According to the CRA's latest information, the average TFSA value is less than $20,000, and the average TFSA has more than $30,000 in unused contribution room. This is considerably high and can be a big mistake if investors are investing money elsewhere.

Since saving on these fees should be an investor's first priority, it's crucial that you maximize your TFSA contributions and other registered accounts first before putting money in a non-registered account to invest.

This way, you can be sure that your primary investment portfolio is earning tax-free income, which will compound at a significantly higher growth rate.

One other mistake to avoid in the TFSA

One last thing to keep in mind when investing in the TFSA or any other registered account is that these should be high-quality investments with low risk.

It can be enticing for investors to want to buy high-risk, high-reward stocks in a registered account. That way, if the stock skyrockets, you won't have to pay any of the massive capital gains tax.

However, these stocks are too risky, and more often than not, an investment won't pan out. That means you will risk not only losing your money in the investment but also that TFSA contribution room.

Money can always be replaced, but losing that contribution room could be detrimental to the rest of your long-term investment performance.

So, to recap, you want to make sure to max out your registered accounts first, but only invest in high-quality companies with significant reliability.

The perfect TSX stock for your TFSA

One of the top stocks you can buy today for your TFSA is **Shaw Communications** (TSX:SJR.B)(NYSE:SJR).

Shaw is a great addition to your portfolio, because it's such a high-quality business. Furthermore, because it's such high-quality and operates in a long-term growth industry, it's a relatively low-risk investment, making it ideal for your TFSA.

The telecommunications industry is a crucial industry in our economy, especially in a pandemic. So, while these companies may see a short-term impact on some of their business, the majority of revenue will be unchanged.

In its most recent quarter (from March to the end of May), Shaw's revenue decreased by less than 1%. That was during the worst of the pandemic's shutdowns. This goes to show just how stable Shaw's business is.

However, despite not being super risky, the stock still offers investors significant growth potential, especially in the long run. So, you'll definitely want a stock like this in your TFSA to save big on taxes throughout the course of your investment.

Shaw's wireless segment continues to offer substantial growth potential. Plus, the industry as a whole is on the verge of significant growth as 5G continues to be rolled out.

Bottom line

The TFSA is a significant tool that Canadian investors have to save and grow your capital. So, make sure you use to its full potential and max it out with high-quality stocks. This way, you will set yourself up to save thousands in taxes and can compound your capital a lot faster.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)

2. TSX:SJR.B (Shaw Communications)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
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Category

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2. Investing

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