
# 3 Ways to Make Your TFSA Work Better for You

### Description

The TFSA (Tax-Free Savings Account) is a profoundly powerful account that many Canadians may not be optimizing. Despite its misleading name, the TFSA is actually a better investment account than savings account. In an era of near-zero interest rates, you're unlikely to increase your purchasing power through savings, even with taxes taken out of the equation. That's why investors should think about owning "risky" but higher-return securities that can help today's young investors (hello, millennials!) get on the path towards a rich and comfortable retirement.



Amid this pandemic, it's tough to justify buying stocks, given the possibility of a double-dip recession or a prolonged depression. Although it's tempting to wait until the pandemic ends and for the economic pressure to subside, I think by doing so, the investor stands to leave a tonne on the table.

You see, good investors … invest. Even those with bearish expectations, including Howard Marks, who's not a fan of the risk/reward trade-off in today's market, remain invested. Although he's not backing up the truck on stocks, he is spreading his exposure in investments that will maximize his risk/reward over the long run.

This piece will look at three mistakes that TFSA investors should seek to correct to get the most out of the invaluable account that can help today's millennials get the upper hand once they approach retirement age.

## Invest: Don't time the market

Don't time the market. You've probably heard this one ad nauseam over the years.

It's a valuable piece of advice that's easy to understand but difficult to actually put into practice, especially in today's pandemic-plagued market environment. If you tried to limit your damages in the 2020 February-March market crash, you likely got in your own way and missed out on the steep relief rally that ensued.

Your TFSA should be for long-term investing, not to be used to make (or save) a quick buck over the near term. By following the herd in and out of stocks with your TFSA, you'll not only get sub-optimal results over time if you're anything less than a seasoned trader, but you'll also only stand to make your broker rich.

## Don't conduct business trading activities with your TFSA

Even if you excel at getting in and out at optimal times, making big bucks over from swing trading over the near term, you could be subject to taxation if you've used your TFSA for what the Canada Revenue Agency (CRA) deems as business trading activities. The CRA can tax you at their discretion, so be wise and curb your trading activity when it comes to your TFSA, because you could be on the hook for taxes on a big gain and will have nothing to offset if you realize a hefty loss on a soured trade.

If that sounds like a lose-lose proposition, that's because it likely is!

## Contribute your maximum allowable TFSA amount as soon as you're able

Finally, contribute (and invest) your maximum allowable amount as soon as you can. If you're unable, don't worry. Just contribute when you can and scoop up shares of your favourite companies, like **Fortis** , or an ETF of your choice.



Fortis is my go-to pick because of its highly regulated cash flow stream and its nearly guaranteed dividend and dividend-growth trajectory. The stock is essentially a bond proxy, and in times like these, where shelter from volatility is desirable, Fortis stock a glimmering gem for anyone's TFSA.

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