3 Reasons to Start Stockpiling Your TFSA Today

Description

If you haven't maxed out your Tax-Free Savings Account (TFSA), now is a good time to start putting as much money as you can in there. Here are three reasons why you shouldn't wait.

default watermark

Interest rates aren't going up anytime soon

On Wednesday, the Bank of Canada announced that interest rates will remain unchanged and that they'll be near zero, probably until at least 2023. That's important if you've got money in the bank, because that means your money will be making next to nothing there. The big banks slashed their savings rates months ago, and as long as interest rates remain low, that's not likely to change. Even if you earn a modest 1% or 2% return on a stock, you're still better off than having your money sit in a chequing or savings account.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock currently pays a dividend yield of more than 5% and can easily dwarf the returns you can earn at a bank without taking on much risk. And inside a TFSA, that dividend income also isn't taxable.

Investing now can lead to long-term growth

Whether you buy shares of TD or another top stock, the earlier you invest, the better off you'll be in the long term. And now, with stock prices falling again, it's an opportune time to buy stocks at some cheap prices. Yesterday, TD's stock fell below $58 — the last time it closed at that price was back in May. Outside of 2020 and the volatile year that it's been, the last time TD's stock was this low was in 2016. Buying at a low price can help maximize your returns and set you up for some great gains over the long term. You could potentially grow a $69,500 TFSA into $1 million.

It's a great place to hold your money

If you've collected COVID-19 benefits payments like the Canada Emergency Response Benefit

(CERB) and aren't sure whether you'll have to pay tax on them or pay the benefits back, putting any excess money you have into a TFSA can be a great option, even for the short term. You can invest in a stock like TD knowing that it's a fairly stable investment and if you need to pull money out you can easily do so. Unlike a Registered Retirement Savings Plan, there aren't any withholding taxes on a TFSA, and you can take money out any time. And if you don't need to pay any taxes or CERB back, it's a great way to incentivize you to keep your money invested.

Bottom line

As long as you've got contribution room, there's really no reason not to put money in a TFSA. Since you can easily access the money when you need to, you can balance your liquidity needs with your investment goals. If things change in your life, you can easily adapt and not have to worry about tax consequences from pulling money out of your TFSA. And if you've got the money in a top bank stock like TD, you'll also know it's in a safe place, even if there's a market crash.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

default watermark

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/16
Date Created
2020/10/29
Author
djagielski

default watermark