



Got \$6,000 to Invest in a TFSA? Here's How to Maximize it

Description

TFSA's are more than just bank accounts. With a TFSA, you can invest your money according to your [financial goals](#). There are many [investment options](#): mutual funds, stocks, exchange-traded funds, daily interest accounts, etc.

Whether you earn interest, dividends, or capital gains, you don't have to pay taxes on your investments when you hold them in a TFSA.

It gets even more interesting. There is also no tax on TFSA withdrawals. You can access the funds for anything, whenever you want, and you can do it tax-free. Tax-free growth and tax-free access to your money create great planning opportunities.

A TFSA shouldn't be used as a savings account

TFSA's have become very popular — so popular that more Canadians hold a TFSA than an RRSP.

The problem is that the majority of TFSA's are invested in savings accounts or term deposits. Daily interest accounts and GICs are for short-term needs. And while the TFSA will certainly do a great job of holding short-term assets, it can do a lot more.

Let's say you have \$10,000 in a GIC and you earn 2% per year. Keep this GIC in a TFSA, and you'll get \$200 of tax-free interest each year. That doesn't mean you save \$200 a year. It means that you save the tax on \$200. If you are in the 30% tax bracket, it gives you \$60 in savings per year.

Otherwise, let's say you invested the money for something for the long term, with better growth potential. Since you can invest \$6,000 per year, it is not unrealistic to think that over time, with the deposits and the growth of your money, you could have a large amount of money in your TFSA. Some people have accumulated more than \$100,000 in their TFSA's.

So, what is better? Saving \$60 a year in taxes or being able to get your hands on \$100,000 tax-free? The answer is obvious.

Invest in stocks that have a strong growth potential

There are so many wonderful things you can do with a TFSA that go beyond a simple 2%-paying savings account. You could invest in products with long-term returns above inflation. Buy a blue-chip stock with a 5% dividend and set up a dividend-reinvestment plan. Or buy a growth stock to grow your TFSA fast.

You could make big money with a stock like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) in your TFSA. The company's e-commerce platform continues to attract thousands of small and medium businesses in Canada, the United States, and beyond. Shopify is helping small players take advantage of selling online. And the company has several avenues for growth: subscription revenue for using the product, a cut of gross merchandise sales from its customers, and some newer capital offerings like cash advances.

Because it's all online, Shopify doesn't depend on enhanced synergies between the U.S. and Canada — and, more importantly, it's COVID resistant. Sales are expected to improve by 65% this year.

This year's surge has pushed Shopify to overtake the struggling **Royal Bank of Canada** as the largest Canadian company by market capitalization. Shopify shares have surged by about 150% year to date.

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