Canada Revenue Agency: 3 TFSA Mistakes That Will Shock You

Description

The Tax-Free Savings Account (TFSA) has been around for now over a decade. Starting with only a few thousand dollars of contribution room, Canadians now have a limit of $69,500 to contribute and make cash, tax free! Everyone should be taking advantage of this account, yet so many are missing out on what adds up to *billions* in savings across the country.

The Canada Revenue Agency (CRA) hasn't been quiet about these mistakes. Instead, it's released statistics over the years to show how much Canadians can save. Since you can use the TFSA to make money tax free, this information is invaluable. You can open one up right now and have all this information to back up your investment choices.

Respect the limit

The first mistake many Canadians make when opening a TFSA is ignoring, or not remembering, that there is a limit. As I mentioned, since 2009, there has been an increase in the contribution limit each year to where today there is now $69,500 in contribution room.

Yet about one-third of Canadians don't even know this limit exists! That can cost you huge, as there is a tax penalty associated with investing beyond this limit and overcontributing. About 40% of TFSA holders aren't even aware of this penalty. That means when you pay your taxes, you may have actually increased them by holding a TFSA!

So, be careful. Even if you reach your limit, then take out cash, you cannot replace that cash until next year. Beware, or you will be taxed!

Not contributing enough!

Then there is the opposite problem with Canadians not reaching that contribution limit. I get it; you need funds available to pay your monthly bills. However, you should use the TFSA like a savings account and try to max out each year. In 2018, contributions fell by 3% year over year. In 2019, about

89% of Canadians didn't even know there was another increase in contribution room. Forget this year, where Canadians will associate keeping cash in their chequing account as having cash on hand.

But remember, the TFSA *is* cash on hand. You can take it out whenever; meanwhile, you can let it work for you! And that brings me to the final mistake.

Educate!

There are so many Canadians who simply haven't done the research or met with a financial advisor when opening a TFSA. This has left many putting money in the TFSA, and *not investing it*! That's a huge mistake! The TFSA is for investing, so you might as well have just a savings account. The TFSA is a way to make *free money*, quite literally. So, there is no reason not to use it.

The use of a TFSA is rising, with 69% of Canadians at least using one in 2018. But it means there are still many missing out, and even more using it wrong. So, start by researching strong stocks that you think look great to buy and hold for decades.

An option to consider right now is **CloudMD Software & Services** (TSXV:DOC). CloudMD provides telehealth and virtual healthcare services across Canada. It's currently buying up company after company to create a powerhouse of healthcare services ranging from psychology to physicians and everything in between.

The company is the future, and shareholders see that. Returns have already reached 544% for the year as of writing! That could turn half of your contribution room into $188,732 next year! All it takes is time, research, and, of course, money to get on the tax-free path to riches.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. TSXV:DOC (CloudMD Software & Services Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing

Date
2025/08/24
Date Created
2020/11/08
Author
alegatewolfe