



Canada Revenue Agency: 33% of Canadians Are Making This Huge TFSA Mistake

Description

The TFSA (Tax-Free Savings Account) was introduced back in 2009 to encourage Canadians to save more money. This registered account is an ideal tool that can help residents achieve a wide range of financial goals. Due to its tax-sheltered status, the TFSA has the potential to grow your wealth considerably over time.

However, according to the Canada Revenue Agency (CRA) approximately 33% of Canadians are making a huge TFSA mistake. There are a few rules that TFSA investors need to be aware of. One of the most important rule is related to the [contribution limit or the over-contribution penalties](#).

You may either fail to utilize your TFSA contribution room by not allocating enough funds to the account or may contribute too much, which will result in penalties by the Canada Revenue Agency.

Here's what you need to understand so that you can better utilize your TFSA and avoid tax penalties related to over-contribution.

How much is the TFSA contribution limit for 2020?

The primary goal for TFSA investors is to understand how much you are allowed to contribute to this registered account. The cumulative contribution limit since 2009 stands at \$69,500, and it keeps increasing every year.

For example, the contribution limit for your TFSA increased by \$5,000 annually between 2009 and 2012. It increased to \$5,500 for 2013 and 2014 and was \$10,000 for 2015. The TFSA contribution limit for the next three years was \$5,500, while it was increased to \$6,000 per year for 2019 and 2020. Based on these figures, we can see the total TFSA contribution limit is \$69,500.

You need to conduct due diligence and calculate the total contributions you have made to the TFSA. If you are an investor with a sizeable amount of savings, the \$69,500 limit should be leveraged to grow long-term wealth.

As withdrawals from the TFSA in the form of capital gains, dividends or interests are exempt from Canada Revenue Agency taxes, it is an ideal account to hold growth stocks such as **Constellation Software** ([TSX:CU](#)).

Constellation Software has been a solid wealth creator

Shares of Canada's tech giant Constellation Software has been one of the top-performing stocks on the TSX. An investment of \$6,000 in the company soon after its IPO in May 2006 would have ballooned to \$480,000 today.

CSU focuses on acquiring smaller and profitable high-growth tech companies. In the last 25 years, [it has acquired over](#) 500 companies that provide critical services to enterprises across industries. It has a diversified portfolio and Constellation's subscription-based business allows it to generate stable cash flows across business cycles.

CSU stock outperformed tech peers and indices during the market crash of 2008-09 and has held its own amid a volatile 2020 as well.

Constellation Software is valued at a market cap of \$31.2 billion, indicating a forward price-to-sales multiple of eight and a price-to-earnings multiple of 44, which might seem expensive, but growth stocks trade at a premium. Growth stocks have the potential to outpace the broader markets over the long term and can be used to accelerate your financial goals as well.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

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