



## Canada Revenue Agency: 3 Top TFSA Tips for 2021

### Description

It's unbelievable! In less than two months, we'll step past 2020 and into 2021. And we'll have additional room for our Tax-Free Savings Account (TFSA). The Canada Revenue Agency will, in all likelihood, make the TFSA limit for 2021 be \$6,000.

Here are a few tips to help you make the best of your TFSA.

### Don't rush your TFSA contributions

Although it's a marvelous habit to save a portion of your earnings every month, you don't necessarily need to rush and contribute to your TFSA right away at the start of the year 2021.

Particularly, if you're investing in stocks, you've got to wait for the right opportunities. Don't feel pressured to invest straight away just because the contribution room becomes available.

### How to maximize your TFSA returns

Some investors solely buy growth stocks like **Shopify**, **Goodfood**, and **Well Health** in their TFSAs, aiming to generate multibaggers. If the growth portfolio works out, it's the best way to maximize your TFSA, because stocks generate the greatest returns compared to all other asset classes. Investing in [growth stocks](#) that grow at an above-average pace can lead to even more astounding returns.

However, it's not for everyone. You should invest according to your style. That means you need to consider your risk tolerance, knowledge, comfortability, and investment horizon.

Instead of total returns, some investors choose to maximize their dividend income instead, because they like the stability. They just need to be sure to choose [safe dividend stocks](#).

Personally, I invest in a mix of income and growth stocks in my TFSA. This way, I can use dividends received to reinvest during the year, even when I can't contribute to my TFSA anymore. I can also

freely withdraw the received dividends from my TFSA when I need the money, without having to worry about being forced to sell stocks in a potential down market.

## Don't overcontribute to your TFSA

Canadians who were eligible for the TFSA since its inception in 2009 would have a cumulative contribution room of \$69,500, unless they've profited and withdrew from the account. The withdrawal amount is added to the contribution room starting in the next calendar year.

So, if you maxed out your TFSA and withdrew \$1,000 this year, you can't recontribute that \$1,000 until the year 2021 rolls around. Otherwise, there will be a penalty of 1% per month on the excess amount.

Below, you can see a table of the TFSA limit every year since its inception.

Year	TFSA Contribution Limit for each year
2009-2012	\$5,000
2013-2014	\$5,500
2015	\$10,000
2016-2018	\$5,500
2019-2020	\$6,000
<b>Total</b>	<b>\$69,500</b>

So, if you've only become eligible for the TFSA in 2019, you'd have a cumulative contribution room of \$12,000 if you've never contributed to a TFSA before.

## More food for thought

Although I said not to rush your TFSA contribution at the beginning of the year, you should still make the habit to fully contribute to your TFSA every year. You can see from the table above that the TFSA contribution room adds up quickly.

If you can't save \$500 a month (\$6,000 a year) now, it'll be even harder to come up with a lump sum of \$12,000 next year ... and more after that.

The TFSA is too useful a tool to pass up and leave untouched. Tax-free growth and withdrawals are incredible. It implies you can use your TFSA to save for anything — a car, mortgage, vacation, or even your retirement fund!

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