



## What Will the TFSA Limit Be in 2021?

### Description

The Tax-Free Savings Account (TFSA) was introduced in January 2009. In this registered account, all income and capital gains earned were tax free. The combination of tax-free earnings potential and flexibility has made it a favourite among Canadians. When it first launched, the annual contribution room in a TFSA started at \$5,000. Since then, that annual limit has climbed as high as \$10,000 and retreated close to its original limit. The progression of the annual limit will be interesting to watch over the course of the 2020s.

This year, the cumulative contribution room in the TFSA rose to \$69,500. What will be the limit in 2021? How should investors expect cumulative contribution room to evolve over the course of the decade? Let's explore some possibilities.

### TFSA limit next year and beyond

When the Justin Trudeau-led Liberals came to power in 2015, they moved to reduce the annual contribution room to \$5,500. The previous Harper government had upped the amount to \$10,000 in 2015. In 2019, the annual limit increased to \$6,000. With all eyes on how the federal government will tackle this crisis, investors should not expect any big changes on this front. A continuation of the \$6,000 annual contribution limit will likely remain in place. Still, there is no reason for investors to lament.

A \$6,000 annual limit in 2021 will bump up the cumulative contribution room to \$75,500. Canadian investors who have been eligible to contribute since January 2009 will have a good deal of room to work with.

### Why this account could make fortunes in the years ahead

The smaller cumulative room for the TFSA in the early 2010s still left room for big success stories. Back in May, I'd discussed how investors have managed to become [TFSA millionaires](#). For example, a \$10,000 investment in a stock like **Kirkland Lake Gold** at the beginning of the 2010s would have been

worth \$680,000 by the end of it. That is over \$650,000 in tax-free gains over the course of 10 years. Not too shabby.

This may be an extreme example, but it illustrates how useful the TFSA can be when used correctly. The RRSP also offers tax-free capital gains and income, but it cannot be touched without tax penalties. Meanwhile, investors can immediately use the tax-free gains in this electric account.

Investors new to the TFSA will have over \$70,000 in available contribution room by the beginning of 2021. That is a lot to work with over the course of a decade.

## Two super stocks to add to your TFSA before the end of 2020

In April, I'd [looked at stocks](#) that could turn \$20,000 into \$1 million. Right now, it is wise to focus on explosive sectors like healthcare and technology.

One of the most successful stocks in 2020 has been **WELL Health Technologies** ([TSX:WELL](#)). This company is making strides in the area of telehealth. Increasingly, healthcare professionals are holding consultations in the digital space. This is a trend that has exploded during the COVID-19 pandemic. Shares of WELL Health have increased 373% in 2020 as of close on November 12. The stock is up 412% year over year.

The rise of telehealth has the potential to propel WELL Health to incredible heights in the years and decades ahead. This is one of the best healthcare stocks for TFSA investors to target in 2020.

**Kinaxis** ([TSX:KXS](#)) is a technology stock that has proven to be one of the top growth options on the TSX since its initial public offering in 2014. Shares of Kinaxis have increased 73% in 2020. However, the stock has dropped 20% week over week. It released its third-quarter 2020 results on November 4.

The company reported total revenue growth of 17% to \$55.1 million and SaaS revenue jumped 26% to \$39.3 million. However, profit sank 84% to \$0.73 million, while adjusted EBITDA dropped 16% to \$10.1 million. Regardless, Kinaxis still boosted its expectations for revenue growth for the full year. TFSA investors should consider adding this top tech stock on the dip.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:KXS (Kinaxis Inc.)
2. TSX:WELL (WELL Health Technologies Corp.)

### PARTNER-FEEDS

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**Category**

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**Date**

2025/08/16

**Date Created**

2020/11/15

**Author**

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