



TFSA Limit: Are We Headed Towards \$100K?

Description

The Tax-Free Savings Account (TFSA) was launched under the Harper government in January 2009. When it was first introduced, the annual TFSA limit was \$5,000. This continued until 2013 when it was bumped up to \$5,500 annually. In its final year in power, the Harper government increased the annual limit to \$10,000 in 2015. When the Justin Trudeau-led Liberals won a majority, the annual limit was brought back down to \$5,500 annually. Today, I want to discuss how the TFSA limit could evolve over the course of the 2020s.

Yesterday, I'd discussed why investors [should not expect](#) the TFSA limit to stray from the \$6,000 annually it is currently set at when we get to 2021. The cumulative TFSA limit rose to \$69,500 in 2020. Could the cumulative total rise above \$100,000 by the middle of this decade?

How the TFSA limit has evolved since its inception

Last year, I'd discussed why the TFSA was my favourite registered account for Canadians. It offers [incredible flexibility](#) and upside for both young and old investors. Some may find the evolution of the TFSA limit strange. In 2015, the Trudeau-led Liberals were critical of the Harper government's decision to raise the limit to \$10,000.

At the time, it was argued that this sharp increase appealed mainly to Canadians in a higher wealth and income strata. The Liberals came to power on a platform geared towards the middle and working classes and argued against this increase. In 2015, the Canada Revenue Agency released data that showed roughly one in five Canadians with a TFSA had maximized their room. Now, with the TFSA cumulative limit having significantly increased and more Canadians having opened a TFSA, we can safely predict that an even smaller percentage of users have contributed the maximum available.

What the TFSA will look like in the next few years

There has been chatter of a snap election ever since the Liberals won a minority government in 2019. However, this has been squashed each time the opposition parties have had the opportunity to do so.

Investors should expect policy over the TFSA limit to remain constant while the Liberals remain as the ruling party. Fortunately, the cumulative TFSA limit is still on track to reach six figures by the end of this decade. That is a massive amount of room for investors to pursue tax-free capital growth and income.

One stock to buy no matter what the TFSA limit is

goeasy ([TSX:GSY](#)) is one stock I love for TFSA investors. Its shares have increased 21% in 2020 as of close on November 13. Shares are up 30% year over year. This Mississauga-based company appeals to Canadians on the hunt for alternative financial services. It offers products like high-interest loans to subprime borrowers as well as furniture and other durable goods on a rent-to-own basis.

In Q3 2020, this company delivered 14% growth in its loan portfolio to \$1.18 billion. Adjusted diluted earnings per share surged 56% from the prior year to \$2.00. All this was in the face of a devastating global pandemic. Moreover, goeasy qualifies as a dividend aristocrat. It has delivered six consecutive years of dividend growth. The stock currently offers a quarterly dividend of \$0.45 per share, representing a 2.1% yield.

No matter how the TFSA limit shakes out, this is a stock I'd recommend stashing for the long haul.

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