



TFSA Contribution Limit: Earn \$300 a Month in 2021

Description

It's crazy to think that the Tax-Free Savings Account (TFSA) was introduced just 11 years ago with only \$5,000 as the original contribution limit. Since then, the TFSA has grown considerably and is now one of the best tools that Canadian investors have at their disposal.

Saving on taxes is not something that should not be taken for granted, however. Taxes are some of the biggest fees that you'll have to deal with when investing. Whenever you don't have a registered account like the TFSA, it makes investing decisions all the more complicated because you have to take taxes into account as a major consideration.

In 2020, the TFSA contribution limit was \$6,000, bringing the total TFSA contribution room to \$69,500 for those who have been eligible since year one. And we know that the limit is set based on inflation, so we can almost surely plan for another \$6,000 of TFSA contribution limit for 2021.

Certainly, \$6,000 is a nice round number, which means that Canadians can plan to save just \$500 a month, and you'll max out your TFSA for the year. And remember, if you haven't maxed it out completely, unused contribution room from prior years will roll over.

Assuming \$6,000 is the limit for the TFSA next year, investors who have been eligible since 2009 will now have more than \$75,000 of total contribution room. That means if your portfolio yields just 5%, you can earn \$3,750 a year in passive income — or more than \$300 a month — tax free.

That's an incredible proposition and one that is relatively easy to achieve. Here are two top **TSX** dividend stocks yielding more than 5% today.

Top dividend stocks

When looking for top dividend stocks, one of the best industries to start with is real estate. And depending on which sub-sector you choose, there are high-yield stocks for passive income investors or lower-yield stocks for dividend growth investors.

One stock that's right in the middle is **Choice Properties REIT** (TSX:CHP). Choice Properties is a great company for long-term investors, and it's proved that during the pandemic.

As most investors know, retail was one of the worst impacted sub-sectors of real estate. Choice, however, has been one of the top performers of all its peers. For years the REIT has made sure it has a strong and diversified tenant base underpinned by defensive businesses with resilient operations, thus ensuring its revenue is resilient.

This was crucial throughout the pandemic and is why it's seen revenues fall just over 5% year-over-year in the trailing 12 months. Despite that impact, Choice's cash flow has remained extremely stable, so you can count on the REIT's attractive 5.5% dividend to continue to pay you monthly.

Another high-quality business you could buy with your unused TFSA contribution room is **BCE Inc** ([TSX:BCE](#))([NYSE:BCE](#)). BCE is one of the biggest companies in Canada, with operations all over the country.

Telecommunications is a highly defensive industry. In today's society having access to communications, including the internet, is necessary for society to function. So while the company may see some impact on its business, it's not meaningful enough to have any effect on BCE's long-term potential. Over the last 12 months, BCE's total revenue dropped just 2% year over year.

Plus, the company is a cash cow offering major growth potential with [5G technology](#). That's why it's a great choice for dividend investors with extra TFSA contribution room. Its dividend yields almost 5.9% today.

Use your TFSA contribution limit and buy top stocks

As I said, the TFSA is the most useful tool investors have. It's crucial that you take advantage of the account and save as much as possible to max it out. In addition, it's also crucial you invest that cash rather than using it purely as a [savings account](#).

You don't necessarily have to buy dividend stocks for your portfolio. You could decide to buy high-quality growth stocks. Just remember that you don't want to use your TFSA to buy extremely high-risk stocks. Because if you max out your TFSA and lose all your money, there's no way to get that contribution room back.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)

PARTNER-FEEDS

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