



## TFSA Investors: How to Make Your Money Last Forever

### Description

Do you find yourself having to draw funds from your Tax-Free Savings Account (TFSA) this year due to losing work hours or even your job? Here are some tips to help you make your money last forever.

### Spend less than what you earn

No matter if you're earning active income or passive income, if you always spend less than what you earn, you'll never run out of money. For instance, if you make \$3,000 a month, you may be able to save a percentage of that each month. Some people even try to save as much as 30-50% a month! But then one might have to live super frugally to achieve that.

In any case, you can't go wrong developing a habit of spending less than you earn. Folks who have built a formidable stock portfolio during their working years may be able to continue spending less than what their portfolio earns even in retirement. For example, their portfolios could be generating more income than they need for their unique enjoyable retired lifestyle.

### No tax to pay for your TFSA (in most cases)

It's easier to make your TFSA money last forever because you won't need to pay any taxes on its income or profits. You can also withdraw funds from it tax free anytime when you need the money. Because of no hindrance from income taxes, your TFSA money can grow much faster than your investments that are in taxable accounts.

There are some exceptions, though. Foreign income earned inside TFSAs may be subject to foreign withholding taxes right off the bat. These taxes are not recoverable. So, take care to avoid large foreign income in your TFSA.

Additionally, if you overcontribute to your TFSA, there will be a 1% penalty each month on the excess amount. Remember that if you withdraw money from your TFSA this year, you can't re-contribute that amount until the following calendar year.

## What's the best way to grow your TFSA money?

The goal is to maximize your TFSA potential. First, you should contribute periodically to ensure you max out your contribution limit each year. This year's (and likely next year's) contribution limit is \$6,000.

Second, aim to maximize your returns. Out of all asset classes, stocks tend to deliver the best long-term returns. The average long-term market returns is about 7% per year. So, aiming for 10-20% a year is an excellent target.

Some investors strive to invest in multibagger investments in their TFSAs. In that case, getting early dubs in high growth stocks like **Shopify** and **WELL Health** or investing in resilient turnaround investments like **H&R REIT** may be your best bet.

Personally, I use a mix of income and growth stocks in my TFSA. This way, I can spend or reinvest income that comes in and won't be forced to sell stocks in a down market. I was able to take advantage of opportunities in some growth stocks on pullbacks even after I've maxed out my TFSA, thanks to having [dividend income coming in regularly](#).

## Investor takeaway

It can be inspiring to listen to other people's stock-investing success stories. However, what works for someone else might not work for you. You should figure out the type of stock investing that works for you in a taxable account. After you've tested a winning strategy, replicate the [success in your TFSA](#). The tax-free room is simply too precious to mess up.

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