Canada Revenue Agency: The TFSA Limit for 2021 Is $6,000

Description

On Friday, the Canada Revenue Agency announced that the Tax-Free Savings Account (TFSA) contribution limit for 2021 will be $6,000, which is similar to the contribution room in 2018 and 2019. This means the cumulative TFSA limit available for a resident in 2021 is $75,500 if he or she has never contributed to the account since it's introduction in 2009.

The Canada Revenue Agency said that the annual TFSA contribution limit is indexed to inflation and rounded to the nearest $500. According to the CRA, the inflation indexation increase for 2021 is 1%.

The TFSA is a registered account

Any Canadian resident over the age of 18 with a valid social insurance number can open a TFSA. So, the contribution room for this registered account accumulates when a resident is 18 years old.

The TFSA contributions are not tax-deductible. However, any withdrawals in the form of interests, capital gains, or dividends are exempt from Canada Revenue Agency taxes. Many experts believe the TFSA contributions should be leveraged by younger Canadians who expect to be in higher income tax brackets in the future.

TFSA is one of the most flexible accounts and can be used to multiply your savings. Investors can hold growth or dividend stocks in this account to benefit from long-term capital gains as well as a steady stream of dividend income.

Enbridge is an ideal stock for your TFSA

Canadian energy giant **Enbridge** (TSX:ENB)(NYSE:ENB) has created massive wealth for long-term investors. Enbridge would have turned a $1,000 investment into $145,000 over the last 40 years driven by its expanding energy infrastructure portfolio.

It has built and acquired several pipelines and has diversified its business into verticals such as utilities and renewable energy as well, making Enbridge one of the largest Canadian companies in terms of enterprise value.

The company's robust business model that allows it to generate a steady stream of cash flows across economic cycles has helped it increase dividends at an annual rate of 11% in the last 25 years.

Despite the shift from fossil fuels at the global level, Enbridge believes it can grow cash flow between 5% and 7% through 2022 as its backlog of expansion projects stands at $8.5 billion at the end of Q3 of 2020.

Oil and natural gas pipelines continue to generate the bulk of Enbridge's sales. However, the company is steadily investing in multiple offshore wind projects and other renewable energy projects.

The Foolish takeaway

We can see why Enbridge is a top stock for your TFSA. It a blue-chip company that is largely recession-proof and immune to volatile commodity prices. Enbridge generates over 90% of EBITDA from regulated assets or long-term contracts. The stock has lost momentum in 2020 due to overall weakness in the oil sector and is available at a discount to investors.

Analysts tracking Enbridge stock have a 12-month average target price of $50.4, which is almost 40% above its current trading price. After accounting for its tasty dividend yield of 8.4%, annual returns will be over 45% in the next year.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks

3. Investing

Date
2025/08/28
Date Created
2020/11/23
Author
araghunath