CRA: TFSA Limit for 2021 Stays at $6,000

Description

The annual Tax-Free Savings Account (TFSA) limit has been set at $6,000 for 2021, announced the Canada Revenue Agency (CRA) a few days ago. This is another opportunity for you to invest $6,000 and generate returns that won't be taxed by the CRA.

Therefore, the annual contribution remains unchanged since 2019, when it had been increased by $500, from $5,500 to $6,000.

The CRA indexes the TFSA limit to inflation

The maximum annual amount that can be put into a TFSA is indexed to inflation, rounded to the nearest $500.

When the TFSA was created back in 2009, the contribution limit was set at $5,000. This limit has then changed according to this indexation. After four years at $5,000, the limit was raised by $500 in 2013. The annual TFSA limit was set at $5,500 from 2013 until 2018, with the exception of 2015.

The year 2015 was marked by an exception to this indexation. Five years ago, the limit was set at $10,000 before being reduced by almost half. You can consult the evolution of TFSA contribution limits on the CRA website.

Thus, from 2009 to 2021, the total amount of contribution room available in 2021 for Canadians aged 18 who have never contributed and who have been eligible for the TFSA since its introduction in 2009 is $75,500.

What to do with your contributions

Instead of putting your $6,000 in a savings account that will give you less than 1%, you can makebetter use of your contributions by investing them in stocks. You could make $1 million without having to pay taxes to the CRA.

A growth stock like **Shopify** (TSX:SHOP)(NYSE:SHOP) will give you much higher returns than savings accounts and GICs. Indeed, a growth stock like Shopify is seeing strong growth, as the pandemic pushes consumers and retailers online. Shopify expects an excellent holiday season, as more consumers shop online and buy from the small businesses that sell through its platform.

The company reported a 109% increase in gross merchandise volume, a key metric for online retail businesses, in the third quarter. The number of orders received by merchants increased by 17% in the second week of November compared to the first week. The average basket of goods sold in the second week of November was US$81, an 18% increase from last year. We can expect the next two months to be very good, as Black Friday will help boost Shopify's sales.

The Ottawa-based company has also partnered with major platforms such as **Facebook**, Instagram, **eBay**, and TikTok. In June, it announced a deal to bring certain Shopify merchants to **Walmart**'s third-party marketplace.

Shopify is building a network of warehouses across the United States to match **Amazon's** price on two-day shipping.

With a streak of earnings beat behind and a rally of around 150% in its stock this year, Shopify is full of cash. The e-commerce company remains focused on growth and has no plans for dividends or share buybacks. Executives, including founder Tobi Lütke, don't see the point in making deals just to add revenue or clients but would consider other acquisitions, especially to acquire talent.

Shopify's president Harley Finkelstein said in an interview: "Billions of dollars on the balance sheet gives us optionality. It means that we can invest in companies if we want, it means we can purchase other companies. It means we can finance our own capital program on our own for as long as we need to."

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