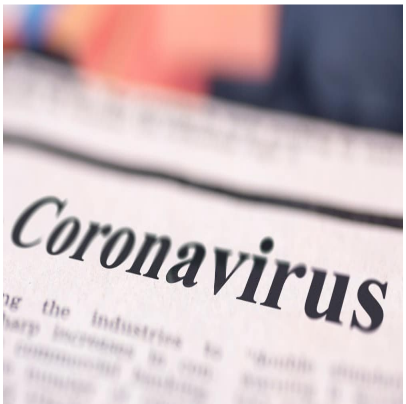


COVID-19 Investment Prep: Should You Invest Your TFSA in U.S. Stocks?

**Description**

There are going to be a lot of changes in January. To start, there is going to be a new president in the United States. This usually would be big news on its own, but this time it's huge. Prepare for a complete turnaround from today's United States. This could also mean a complete 180 from where U.S. stocks are today.



January will also come with more contribution room in your Tax-Free Savings Account (TFSA). The TFSA contribution limit is increased every January. This year, you have $69,500 in contribution room, and that could increase by about $5,000 in January. With COVID-19 still spreading, January could also be when we see another market crash, as companies come out with more earnings reports. It's a great time to prepare. But should you prepare by investing in U.S. stocks?

## First, the rules

The first question you need to ask is whether you can even invest in U.S. stocks in your TFSA. The short answer is, yes, you absolutely can. The longer answer is that U.S. stocks are counted as foreign funds. That just means there could be a 15% withholding tax on any dividends paid by these U.S. stocks.

Second, make sure you know two things. First, how much your TFSA contribution limit is. You can find how much you can contribute by logging into MyAccount through the Canada Revenue Agency (CRA) website or by calling up the CRA. Then make sure you convert your U.S. investments into Canadian dollars so that you don't exceed that limit. If you do, you will be penalized by the CRA.

## Where the U.S. is headed

No one can predict the future, but we can see that President-Elect Joe Biden has made it quite clear that his first goal will be to curb the spread of COVID-19. So, there are good and bad things to look out for when it comes to investing in U.S. stocks. First, in the near future, businesses may be closed; there may be states on lockdown; and there could be layoffs — all similarities to what we've seen in Canada and around the world. This could lead to further market crashes both in Canada and the U.S.

However, it also means that this would start a downturn in COVID-19 cases. So, once COVID-19 is under control, businesses will open again, and we will see the similarities we again have seen in Canada. Hopefully, it means the Biden administration will take into consideration the mistakes of other countries and learn from them. That means there could be a market turnaround much quicker.

## Where should you invest?

If there is a market downturn in the U.S., it will be a great time to invest in U.S. stocks while the companies are down. This creates a diversified portfolio, and historically, U.S. stocks have performed better than Canadian counterparts. If you want a great, safe option, consider a bank that has done well both at home and across the border.

**Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) has expanded into the U.S. to become one of the top 10 banks in the country, with more room to grow. Its wealth and commercial management sector also provides lucrative revenue now and for years to come. The bank is still cheaper compared to its Big Six Banks peers, but is one of the largest by market capitalization. It also provides solid dividends of 4.54% as of writing if you go with the Canadian option.



## Bottom line

Investing in the U.S. provides your portfolio with diversity it will need during another COVID-19 market crash. It's likely this is going to happen soon and could be around when you'll have that TFSA contribution limit increase. So, make sure you prepare and do your research now!

**CATEGORY**

1. Bank Stocks
2. Investing
3. Stocks for Beginners

**TICKERS GLOBAL**

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

**PARTNER-FEEDS**

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

**Category**

1. Bank Stocks
2. Investing
3. Stocks for Beginners

**Date**
2025/07/08
**Date Created**
2020/12/02
**Author**
alegatewolfe