TFSA Investors: Here's Where You Can Invest $6,000 in 2021

Description

The Canada Revenue Agency (CRA) just announced a new contribution limit for the Tax-Free Savings Account (TFSA) next year. Canadians can deploy another batch of $6,000 into this account in 2021.

Most people never maximize their TFSA contributions and keep most of their TFSA savings in low-return savings accounts. Instead, the best way to use your tax shield is to invest this money into stocks. Stocks offer the type of returns — dividends and capital appreciation — that you want the CRA to stay away from.

With that in mind, here are the three best ways to invest your TFSA $6,000 next year.

A TFSA growth stock

Protecting your capital gains from the CRA is probably the smartest way to build wealth. It helps if you've picked a stock that focuses on capital appreciation instead of steady dividends. **Kinaxis** (TSX:KXS) is a good example.

The company provides supply chain management software. That business model has held up well this year, despite the pandemic. In the post-pandemic recovery, you can expect international trade and commerce to bounce back strongly. That's great news for Kinaxis investors.

Kinaxis stock doesn't pay a dividend, but it has delivered a 1,358% return over the past six years. That's an annual compounded growth rate of 56.3%! At that pace, you could invest just a few thousand dollars in this stock and generate a million within a decade. Imagine accumulating a million dollars in your TFSA!

A TFSA dividend stock

Not everyone wants to accumulate a million dollars or snatch multifold returns over years. Some TFSA investors simply want tax-free passive income. A high-yield dividend stock such as **BCE** (TSX:BCE)(NYSE:BCE) is a great option.

BCE currently offers a 5.9% dividend yield. Assuming you deployed $6,000 into this stock through your TFSA next year, you could expect $360 in annual passive income — or about $1 every day in tax-free, work-free income.

As the most dominant telecommunications company in the country, BCE's position as a dividend stock is probably safe. Investors can count on this juicy dividend so long as people need data and wifi at home.

A TFSA growth + dividend stock

If you're looking for the best of both worlds, **Fortis** (TSX:FTS)(NYSE:FTS) should be on your radar.

Fortis has managed to bump up its dividends every year for the past 46 years. That's because it supplies electricity, which is an essential part of the economy. Fortis's expansion over the years has delivered incredible dividend growth for investors.

TFSA investors can use a dividend growth stock in two ways. You could either accept the dividends every year to support your lifestyle, or you could reinvest the dividends back into the stock. Reinvesting dividends helps you accumulate much more wealth over time.

If you're looking for a steady, long-term wealth creator, Fortis is probably your best bet.

Bottom line

You get a chance to deploy another $6,000 into your TFSA next year. Use this cash to invest in market-leading growth or income stocks. Stocks like Kinaxis could be the perfect fit.

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3. TSX:BCE (BCE Inc.)
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