



## CRA Update: Your TFSA Limit is \$6,000 More in 2021!

### Description

The Tax-Free Savings Account (TFSA) is one of the best investment vehicles available to Canadians. The [tax advantages](#) of this account allow investors to improve their financial position when they make the right use of the account.

The Canada Revenue Agency (CRA) has been making changes to the account's contribution limit each year since it was introduced in 2009. The new contribution room update will increase \$6,000 to the limit in 2021.

Since it began, Canadians who have not opened the account or contributed have a cumulative contribution room of \$75,500 after the 2021 update announced on November 20, 2020.

### More tax-free and passive income

The additional TFSA contribution limit will effectively allow Canadians to generate more tax-free and passive income in 2021. All the earnings from assets in your TFSA are not tax-deductible. It means that you can continue growing your account balance through interest payments, capital gains, and dividend income, all without letting the CRA touch a cent.

Account holders can also withdraw from their TFSA without incurring any tax penalties. With the additional \$6,000 contribution room, you have a better chance of using the TFSA for several investment goals.

### Offset your tax bills

The TFSA lets you earn passive and tax-free income. However, you will be taking out a substantial chunk of your revenue to taxes that the CRA happily collects. One of the best ways to use your TFSA's tax advantages could be to offset your tax bill.

Using it as a means to generate income can let you offset your out-of-pocket expenses for paying

federal and provincial taxes for the 2020 income tax year. All you need is a portfolio of income-generating assets that can meet your requirements.

## Fortify your passive income

**Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is a staple investment for many Canadians in their TFSAs. The utility company can provide investors with virtually guaranteed income due to its essential service. Fortis provides natural gas and electric distribution services to its clients across Canada, the U.S., and the Caribbean.

Fortis generates most of its revenue through highly regulated and long-term contracts. The company can effectively generate substantial, predictable and consistently growing cash flows. Fortis' valuation at writing is \$52.02 per share, and it pays its shareholders at a juicy 3.88% dividend yield.

Fortis has a dividend growth streak spanning almost 50 years. Investing in the stock and holding it in your TFSA can help you leverage its dividend payouts. You can use the additional passive and tax-free income to help pay off some of your tax bills.

When you don't have to pay the bills, you can keep growing your account balance through consistent payouts.

## Foolish takeaway

The TFSA is not a regular savings account. It is a very useful investment tool that investors should consider maximizing through a portfolio of [reliable dividend stocks](#).

Fortis could be an excellent stock to begin building such a portfolio due to its reliable and predictable income. You can gradually begin reinvesting your dividends to unlock the power of compounding and generate a massive retirement nest egg.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
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