Canada Revenue Agency: Your TFSA Just Got a Whole Lot Better

Description

The TFSA has become more popular and commonplace than the RRSP, and it's no wonder why. Relatively few people have the foresight to start investing for their retirement in their early years, and even fewer have the patience to invest in something in their RRSP and then forget about it. But everyone understands the TFSA.

It's ideal for short-term investment goals (among several other things), and people who only have a limited amount to invest typically prefer the TFSA over the RRSP. Its tax-free nature and no restrictions on withdrawals make it a perfect place to grow your emergency funds as well.

And the fund just got better. The 2021 contribution limit has been announced ($6,000), and if someone hasn't yet contributed a single dollar to their TFSA, and they turned 18 on or before 2009 (when it started), they can contribute $75,500 to the account. It's a considerable sum, and in the right stocks, it can grow significantly.

A growth stock

One of the best ways to fulfill your short-term investment goals is to look for rapidly growing stocks. The problem with such stocks is that from a value perspective, they are usually not good picks. They might also be a bit risky. But if you had invested $6,000 in your **Xebec Adsorption** (TSXV:XBC) when 2020 started, your investment would have grown to about $16,000 in less than a year.

The stock is trading for a price of about $6.3 a share, and while it's a very affordable price tag, the stock is actually very expensive. It's trading at a price-to-book ratio of 7.5 times, and its price-to-earnings ratio is calculated at 239.4 times. And while the current growth spurt was very fast, the company has been a decent grower from the very beginning.

Its 10-year CAGR is 39.55%, and if it can sustain it for just one more decade, your 2021 TFSA contributions ($6,000) might grow beyond $150,000.

A dividend stock

If you want your TFSA investments to start generating a little bit of cash for you, then **Fiera Capital** (TSX:FSZ) might be a good pick. The stock hasn't fully recovered from the crash yet, and that allows you to lock in a mouth-watering 7.6% yield. If you invest your $6,000 in this stock, you will be able to generate a $38 monthly income from the dividends of this company (though it pays quarterly dividends).

With a larger cash pile in your TFSA diverted into this account, you can start a sizeable passive income. It's an independent investment management firm with a market capitalization of $1.1 billion and over $177 billion in assets. The portfolio of assets is diverse, both geographically and industry-wise.

Foolish takeaway

The TFSA can be a powerful investment tool, but in order to get the best out of it, you have to invest your TFSA capital. If you keep most of it in cash (even if you are earning a little bit of interest over it), then you are severely undermining the potential of this registered account. Whether you prefer growth stocks, dividend-paying companies, or a combination of both, putting them in your TFSA is infinitely better than just using it for cash.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)
2. TSX:XBC (Xebec Adsorption Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
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