Canada Revenue Agency: TFSA Limit Is Going up to $75,500!

Description

2020 has been a challenging year for Canadians. Despite the government's best efforts, the financial stress everybody has faced throughout this year will creep into 2021. Financial wellness is a major priority right now. Many people had to reduce their expenses to ensure they have enough cash to get through the crisis.

It is no surprise that Canadians are ramping up their savings in light of the pandemic. According to the Canadian Payroll Association (CPA), more than 60% of Canadians are saving over 5% of their paycheck this year. Additionally, people receiving government stimulus money through the Canada Emergency Response Benefit (CERB) and CERB alternatives are setting aside some of the amounts for savings.

These figures are highlighting the growing importance of securing financial buffers. The Canada Revenue Agency (CRA) announced an update to the Tax-Free Savings Account (TFSA) contribution limit for 2021. With the new limit, Canadians have a better chance of using their savings from the tax-free account to earn more money.

2021 TFSA limit

With the 2021 update, the CRA announced that Canadians will have $6,000 additional contribution room in their TFSAs. It means that the cumulative contribution limit in the TFSA since the introduction of the tax-advantaged account is $75,500. With more contribution room, you can save a lot more and enjoy greater tax-free returns in the long run through the right investments in your TFSA.

Dividend Aristocrat for your TFSA

I think that allocating the additional TFSA contribution room for a portfolio of income-generating assets like **Fortis** (TSX:FTS)(NYSE:FTS) could help you make the most of it. Utility stocks are a fantastic way to add more stability to your stock market portfolio. It makes sense if you allocate a portion of your contribution room to a stock like Fortis.

At $52.48 per share, Fortis pays its shareholders at a juicy 3.85% dividend yield at writing. It is one of the most reliable dividend stocks trading on the stock market. Fortis provides its customers with essential services that they cannot remove while cutting down expenses. The utility company can continue generating revenue while most other companies see a loss of revenue.

Fortis is a first-class regulated utility, making it a resilient business that is also a low-risk investment for its shareholders. The stock could be an excellent asset to consider for its lower risk and continually increasing dividends. The Canadian Dividend Aristocrat has a 47-year dividend-growth streak that it plans to uphold for years to come.

Foolish takeaway

The TFSA is an excellent investment vehicle for investors to help them meet various financial goals. You can use the tax-free account to generate passive and tax-free income through a portfolio of dividend stocks like Fortis. You can also reinvest your dividend income to unlock the power of compounding to realize an accelerated growth of your wealth in the long run.

Whether you want a TFSA portfolio for tax-free passive income or to accumulate wealth, so you can retire as a wealthy investor, I think Fortis could have a long-term place in your TFSA portfolio.

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Author
adamothman