



## Canada Revenue Agency: Your TFSA Limit Is \$6,000 More in 2021

### Description

The Canada Revenue Agency (CRA) set contribution limits to the Tax-Free Savings Account (TFSA) every year. Thus far, the CRA has made 13 announcements, including the latest on November 20, 2020. For 2021, the annual TFSA contribution limit is \$6,000.

Since 2009, many Canadians have been saving tons of money or earning tax-free income via the one-of-a-kind investment account. Building a [small fortune](#) for retirement wealth is easy, too, because the contribution room grows.

Next year, the accumulated contribution room will increase to \$75,500, or the sum of annual contribution limits from the TFSA's inception. The best part is that your contribution room accumulates, even if you missed filing a tax return or have not opened a TFSA yet.

### Versatile and flexible

The list of TFSA benefits is long, and the CRA will not get in your way, unless you break the rules. With the current recession, use your TFSA to build an emergency fund. If you need money, withdraw any amount at any time without paying penalties.

Your TFSA works best to meet short-term financial goals. Save for a significant expense or milestones like a wedding, holiday vacation, or down payment for a home. You can also purchase a big-ticket item using a profit and not touch the principal. If you dream of retiring wealthy, [maximize your TFSA limit](#) every year.

### Top pick of dividend investors

A reliable income stock that pays a decent dividend is the key to grow your TFSA income over time. **National Bank of Canada** ([TSX:NA](#)) is among the top picks of dividend investors. This bank stock isn't a flashy choice, but it takes care of loyal investors' income needs.

Canada's sixth-largest bank shares are up 2.85% year to date and currently pay a 3.95% dividend. A new TFSA with an available contribution room of \$75,500 will earn \$2,982.25 in tax-free money. The capital will compound to \$163,846.37. If you're investing the maximum limit of \$6,000, your bonanza is \$237.

Like the Big Five bank, National Bank's earnings this year fell compared to 2019 due to higher loan-loss provisions. The bank's net income for the 2020 fiscal year (ended October 31, 2020) was \$2 billion, or 10.29% lower than the 2019 fiscal year. Nonetheless, the financial position remains formidable.

National Bank is the dominant bank in Quebec and is the most preferred financial service provider of SMEs. The dividend payouts should be sustainable and consistent for years, given the less than 50% payout ratio.

## More TFSA advantages

Money growth is tax-free, so your balance and investment income will compound together. You can live off the dividends in retirement and use your Canada Pension Plan (CPP) and Old Age Security (OAS) as back-ups.

A TFSA is also material in tax planning. Drawing income from your TFSA allows you to delay withdrawing taxable money from your RRSP. Furthermore, taking out funds from your TFSA has no bearing or impact, even if you're receiving income-based benefits from government programs.

Your credits and benefits from Canada Child Benefit (CCB) and Guaranteed Income Supplement (GIS), for example, stay the same regardless of the TFSA withdrawal amount. If your finances allow, strive to max out your TFSA in 2021 to gain all the advantages.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)

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