



CRA 2021 Update: Your TFSA Will Be \$75,500

Description

The official TFSA new contribution limit for 2021 is \$6,000, as announced by the Canada Revenue Agency (CRA) on November 20, 2020. For people who haven't made a single contribution since 2009 but are eligible, the accumulated contribution room will be \$75,500.

Canadians who have been saving during the pandemic can put the money to profitable use if they are TFSA users to [earn a tax-free income anew](#). The health crisis brings uncertainty. Any amount of windfall, especially with zero tax, is most helpful in a recession. Creating passive income is the new norm to counter rising living expenses.

Total contribution room in 2021

To know your total contribution beginning at the beginning of next year, use the following formula: unused TFSA contribution room to date + total withdrawal in 2020 + 2021 TFSA dollar limit = TFSA contribution room.

If you're new to the TFSA and plan to open an account, you must be 18 years or older with a valid Social Insurance Number (SIN). The steps to open a TFSA are simple. Contact an issuer like a financial institution, an insurance company, trust company, or credit union.

Provide the requirement (valid SIN) and information (date of birth), so the account issuer can register your qualifying arrangement as a TFSA. Be ready with supporting documents if you're asked to provide them. An issuer can deny your registration if the information is incorrect.

Use your TFSA to invest

While you can put cash in your TFSA, it's an investment vehicle — not a regular savings account. You can hold various financial instruments as you would in a Registered Retirement Savings Plan (RRSP). Bonds (government and corporate), exchange-traded funds (ETFs), guaranteed investment certificates (GICs), and stocks are the qualified investments.

Unlike in a non-registered account, all interest, gains, or all other income in your TFSA is entirely tax free. You can withdraw money at any time. Likewise, all withdrawals are tax exempt too. Maximize your \$6,000 TFSA contribution limit in 2021, but don't over-contribute to avoid paying a 1% penalty tax on the excess amount.

Stable of Dividend Aristocrats

Most TFSA users prefer dividend stocks, because the [potential return is higher](#) and income streams are recurring. If your investment's value compounds or double, you can keep all the profits. The Toronto Stock Exchange (TSX) houses established income providers known as Dividend Aristocrats.

Great-West Lifeco ([TSX:GWO](#)), a member of the **Power Corporation of Canada** family, is excellent for the TFSA. The insurance stock pays a hefty 5.8% dividend, such that a \$6,000 investment will produce an extra income of \$348 for you. This \$27.58 billion Canadian firm is a financial services powerhouse. It has compounded its revenue at the rate of +10% CAGR over the last five years.

The industry leader in group benefits in the home country provides life and health insurance and services, such as investment, retirement, and asset management. Premium income contributes the most (80%) to total income, while fees and other income deliver the rest. Competition is stiff, although Great-West has cemented its position in the insurance industry.

Improve financial health

The TFSA is a top-notch savings vehicle for young and old Canadians, working or retired. A new limit means another opportunity to improve one's financial health in 2021.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/07

Date Created

2020/12/11

Author

cliew

default watermark

default watermark