



Canada Revenue Agency: TFSA Limit Is \$75,500 in 2021!

Description

The Tax-Free Savings Account's (TFSA) cumulative limit is due to increase again, with the new \$6,000 annual contribution limit in 2021. If you have never contributed to the account since 2009, your [total contribution room next year](#) is a massive \$75,500.

No account is more unique than a TFSA. It's an investment vehicle to achieve short-term and long-term financial goals. If you don't have a TFSA yet, open one and contribute a maximum of \$75,500. You won't pay taxes on the money you make, such as interest, capital gains, and stock dividends inside your TFSA.

Three important TFSA features

In a given year, a TFSA contribution room consists of three things:

- **The annual contribution limit for the year** – At the beginning of each year, the Canada Revenue Agency (CRA) sets an amount or contribution limit that becomes [available to TFSA users](#). The contribution room accumulates from the year a user turns 18 years old. You don't need to be an income-earner to open a TFSA.
- **Unused contribution room from the previous year** – Don't be anxious if you can't max out your full or allowable limit in a year as an unused TFSA contribution room carries forward to the next year. You can use it in future years. Another salient feature is that there's also no lifetime TFSA contribution limit. Unused TFSA contributions are there indefinitely.
- **Any withdrawals in the prior year** – You can withdraw any amount from your TFSA at any time without fear of paying tax or penalty. If you withdraw money, but your limit is maxed out, you can recontribute or deposit the full withdrawn amount at the beginning of the next calendar year.

A dividend king to consider

Like **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)), a dividend king is an ideal holding in a TFSA. The energy stock pays an eye-popping 7.28% dividend. Imagine a \$75,500 investment generating

\$5,496.40 in tax-free income. Since the pipeline operator's payouts are monthly, your income stream every month is \$458.03.

Pembina is a \$19.04 billion company that provides essential services in the oil and gas midstream industry. Despite the highly volatile sector, the energy stock maintains several competitive advantages. The company is prominent for its fully-integrated value chain for natural gas, NGL, crude oil, and condensate.

Furthermore, Pembina provides value-added and cost-effective transportation solutions through its efficient pipeline network that stretches 18,000 kilometers. The contracts in conventional pipelines are fee-for-service based. Hence, cash flows are visible and stable regardless of the market environment.

The current price of \$34.62 is a good entry point. Analysts forecast the stock to climb to \$42 (+21.3%) in the next 12 months.

A TFSA is for everyone

Canadians over 18 years old should have a TFSA. It's an all-purpose savings account. The flexibility is beyond compare. You can build up an emergency fund and grow your retirement savings or nest egg over time. The CRA will not tax or touch your fortune for as long as you follow the rules.

Money growth in a TFSA is tax-free, and you can use it too as a tax-planning tool to reduce your tax payables to the CRA. More importantly, you can reach your financial goals sooner with minimal effort.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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