Canada Revenue Agency 2021: 1 Pivotal TFSA Change You Should Know

Description

Active Tax-Free Savings Account (TFSA) users look forward to November because the Canada Revenue Agency (CRA) makes an important announcement. If you have an account but unaware of the latest news, the new $6,000 TFSA contribution limit for 2021 is a pivotal change.

If you maxed out your limit in 2020 and withdrew $6,000 or less too, you can recontribute the same amount in January 2021 or succeeding months. In case there's an unused contribution room, you can add it to the new space and contribute more to your TFSA.

The TFSA has become an all-important saving and investment tool for all Canadians 18 years old and above. Those who have been maximizing their TFSAs since 2009 must have a small fortune by now. Besides the instant hedge against inflation, users can derive tax savings or compensate for tax payables every tax season.

Tax-free money growth

Most TFSA users invest for the long-term because money growth is tax-free. All interest, dividends, gains, and profits are out of the CRA's reach. Your balance can compound faster, especially if you have income-producing assets in your TFSA basket.

Withdrawals are problem-free, too, as the CRA charges nothing regardless of the amount taken from the account at any time. The only time you risk paying taxes (1% of the excess amount per month) is when you over-contribute. It shouldn't be a problem if you monitor your deposits and withdrawals diligently.

Keep using your contribution room

The additional $6,000 contribution room is substantial, especially if you can buy more shares of your existing investments or add new ones to your stock portfolio for rebalancing purposes. For those who haven't opened a TFSA since 2009 but eligible, the accumulated contribution room has ballooned to

$75,500.

Your TFSA is so unique but won't work its magic if you keep hoarding cash. Rather than keeping your money idle, let it work for you. You can earn passive income like the thousands who are making the most of their tax-advantaged account.

Explosive growth coming

Utility companies generally hold up well regardless of the market environment. Also, TFSA users won't mind boring investments for as long as it offers capital protection and delivers a steady income stream. One such company is **Algonquin Power & Utilities Corp.** (TSX:AQN)(NYSE:AQN) from Oakville, Canada.

The $12.25 billion renewable energy company pays a decent 3.98% dividend. Algonquin is a dependable long-term hold because 75% of its operations are regulated. The remaining 25% focuses on renewable power, which should gain more traction in 2021 and beyond.

Algonquin is currently executing a five-year $9.2 billion capital program. Projects under construction are making tangible progress. The investment allocation for its regulated services group is $6.7 billion, while the rest will beef up the renewable energy group.

Please don't wait any longer to purchase the stock because it won't be as affordable today. The ever-growing interest in renewables will surely drive the company's explosive growth.

New Year's resolution

With 2020 ending soon, do you have a New Year's resolution? Perhaps the optimum use of your TFSA can be your topmost objective to open 2021. Make it a yearly resolve after. You might be a millionaire when you retire.

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