The TFSA's $6,000 Contribution Limit Is Here!

Description

It's official. Canadians now have a new contribution limit to add to their Tax-Free Savings Account (TFSA) of $6,000 as of Jan. 1, 2021. The new addition is the latest since the TFSA program was introduced back in 2009. This means Canadians will now have an increase from the current $69,500 to a whopping $75,500.

But what should you do with it?

The world we live in is a volatile one, never mind the markets. Even though the stock market is trading near pre-crash levels, investors need to be very careful. Economists believe further market crashes are coming, and I tend to believe them. Even before the pandemic there were signs of an impending recession. Instead, we got a pandemic that led to even more global debt. By the end of the year, global debt is estimated to reach an incredible $277 trillion!

Luckily, the TFSA can be the way to keep your cash safe. How? Follow these steps.

Max out!

Once you have a TFSA, try your absolute best to use the maximum TFSA contribution limit. Before you think that means either putting in $6,000 or $75,500, take a look at your MyAccount on the Canada Revenue Agency (CRA) website, or simply call them up. There you can find exactly how much TFSA contribution room you have before you put in any cash.

But once you find out, maxing out is the best thing you can do for your cash. There you'll have it in a safe portfolio, with all your investments making returns tax free. That includes dividends. So even if your stocks start to dip, if you invest in stocks that produce dividends you can still be bringing in cash every quarter, or even every month.

And, as the TFSA is tax free, you can therefore make withdrawals any time you need the cash, unlike other portfolios. The only thing you pay for is commission for making the trade. So this is a great way to keep cash on hand in case of an emergency, but still making you money in the meantime.

Invest wisely

I already hinted at it, but due to the volatile nature of the markets now is a great time to think defensively. Look at how the stock market performed during the last market crash. Which of your stocks plummeted? Which rebounded quickly? Which didn't? Start analyzing and looking for stocks that might be a better option if you have some riskier choices in there.

A great option to consider during the next dip are health care stocks. These companies have been seeing large investment due to the necessity during the pandemic. But it's likely that investment will last years, if not decades. But if you invest in a company that offers health care real estate, you can also receive those dividends I was talking about.

That's why **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) is such a great option. The company saw a huge rise in demand during the pandemic, having everything from hospitals to office buildings in its diverse portfolio. Occupancy is at 97.2% as of writing and remains incredibly strong as the average lease actually increased to 14.5 years! Needless to say, it looks like revenue will continue coming in for years to come, with dividends safe and stable at the current 6.2%.

Bottom line

Let's say you were to take your $6,000 and put it in NorthWest today. That would bring you $376 in dividend income every year! But beyond that, if you were to hold the stock for another five years, seeing the same growth as we've seen in the last five years, that would be 123% in returns. That would turn your $6,000 into $22,118.94 with dividends reinvested as of writing.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing
2. Stocks for Beginners

Date
2025/08/22
Date Created
2020/12/19
Author
alegatewolfe