Canada Revenue Agency: 53% of Canadians Are Making This TFSA Mistake!

Description

According to a survey conducted by the **Bank of Montreal**, 53% of Canadians met their Tax-Free Savings Account (TFSA) contribution goals this year. While it's down from 58% last year, the numbers are quite promising if you consider what kind of the year 2020 had been. But this promising news also comes with an alarming one — more than half of the TFSA users are only using the tax-free account to store cash.

Only 49% of the survey respondents were aware of the fact that you can keep at least one more asset type (other than cash) in your TFSA, which means that over half the TFSA users aren't even aware that they can use this account to grow their investments tax-free, which can be instrumental in growing their wealth in the long run.

Two stocks that might be a significantly better addition to your TFSA compared to cash are **Russel Metals** (TSX:RUS) and **Calian Group** (TSX:CGY).

A high-yield dividend stock

Russel Metals is a Mississauga-based metal distribution and processing company. It offers a broad range of metal products to retail customers through its metal service centres. The company also caters to other industries like energy and construction and creates specialized metal products for industry-specific needs. It has a market capitalization of $1.08 billion.

Russel Metals has a strong balance sheet. If we disregard the dismal numbers of 2020, the company did grow its income and revenue nearly every quarter in the last three years. The reason this metal giant deserves a place in your TFSA is because of its mouthwatering 7.1% yield. That is significantly better returns than what you might get (if you only use your TFSA for cash) even with the best TFSA interest rates.

A modest growth stock

Calian Group offers solutions for the fields of advanced technologies, health, learning, and IT. This Ottawa-based company has been around since 1982, and over the years broadened the range of industries it serves. The company also delves into other business through their subsidiaries, including consultancy, training, medical property management, and engineering solutions.

Calian also pays quarterly dividends, but its yield is very modest. A better reason to consider adding Calian to your TFSA is its capital growth potential. Even though the recovery-fuelled growth after the March crash is on an entirely different level, the company was a decent grower well before that. In the last five years (before the market crash), the stock price grew well over 180%.

Foolish takeaway

Using your TFSA just for cash isn't just underutilization, but it's a costly mistake that can severely impact your future finances. Time is an essential factor to consider when it comes to investments, and the more time you spend using your TFSA primarily for cash, the less time you will have for growing your investments tax-free. This will significantly undermine the compounding effect, and you might fall short of your savings goals.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGY (Calian Group Ltd.)
2. TSX:RUS (Russel Metals)

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