



## CRA: Get Your TFSA to \$1,000,000 Without Getting Taxed

### Description

When you ask people about their financial goals, the typical answer is to have \$1,000,000 in the bank. The round figure is nice to hear, although achieving the target is hard, especially if it's your first million. For regular investors in Canada, a Tax-Free Savings Account (TFSA) could be the vehicle to achieve the lofty goal.

A TFSA is not only an investment account, but also a great way to save for retirement. When you're building wealth, the easiest mode is to start saving early. The TFSA was introduced in 2009, and every year, the Canada Revenue Agency (CRA) sets a maximum contribution limit.

Anyone who's been maxing out the limit and investing in dividend stocks could have a substantial balance in 2020. The best part is that the interest, gains or dividends inside the TFSA are tax-free. If your balance is \$1,000,000, [the CRA won't tax even a dollar](#).

### Motivation to save

Trying to raise one million in a TFSA is a huge goal. While it might be unreachable, having a specific purpose will motivate you to save. You'll begin to manage or control your spending so you can free up more cash to set aside and contribute to the TFSA. It's a must to contribute the maximum amount each year and refrain from making any withdrawals.

### The journey to \$1 million

Among the eligible investments in a TFSA are cash, bonds, ETFs, GICs, and stocks. You can contribute foreign currency, but your TFSA issuer will convert the fund to Canadian dollars. U.S. stocks are eligible, too, provided it's traded on a designated stock exchange.

If your chosen American investment pays U.S. dividends, the income is subject to a foreign non-resident withholding tax equivalent (15%). If you want to avoid paying costly tax on your dividend income, don't invest in U.S. and other international stocks.

To enjoy the full tax-free benefits of your TFSA, stick to local stocks because Canadian dividends and interest are tax-free in a TFSA. You're better off making your TFSA exclusive to Canadian stocks. Besides, there are [outstanding dividend stocks](#) you can buy and hold.

## Wealth builders' choice

I will cut to the chase and name a homegrown blue-chip stock that can help you realize the \$1 million dream. **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is the hands-down of wealth-builders. The top-tier energy stock pays a mind-boggling 8.04% dividend. Any amount you invest will double in nine years.

If you invest \$213,000 today, your capital will compound to \$1,000,163.76 in 20 years. The example did not consider the TFSA contribution limits, so the one million journey would be longer if you follow them. In a non-registered account, your investment income is subject to tax.

This \$83.5 billion energy infrastructure company in North America has a dividend growth streak of 25 years. Management plans to hike dividends by 3% in 2021. Consistent growth is a given because Enbridge's diversified operations generate fee-based cash flows year in and year out. At \$41.23 per share, the stock is trading at a 14% discount.

## Seven-figure isn't impossible

Don't think that it's impossible to have a cool one million in your TFSA. The odds are against you for many years to come. However, your financial discipline and determination will bring you to your destination.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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