TFSA Limit 2021: Now's the Time to Buy Stocks

Description

This year, you're getting an extra $6,000 in the Tax-Free Savings Account (TFSA) contribution room. That $6,000 could grow to an impressive sum if invested wisely. Even at an "OK" annual return of 10%, you'd turn $6,000 into $12,000 in 7.2 years. That's not a small sum of money.

In fact, you could invest more than $6,000, resulting in a larger ending amount. Last year, there was $69,500 in *total* TFSA space available. This year's extra $6,000 increases the amount to $75,500. If you were at least 18 in 2009, and haven't contributed yet, you're entitled to all that space.

With that in mind, here are some ideas for where to invest your new $6,000 in TFSA contribution space in 2021.

What $6,000 buys you

With $6,000, you can buy any of the common publicly traded or bank-offered TFSA investments:

- Stocks
- Stock ETFs
- Mutual funds
- GICs
- Bond funds
- Savings deposits

There are six items in the list above. If you wanted to diversify broadly, you could invest $1,000 into each of those asset categories. That would be a pretty well diversified portfolio that you could buy with just $6,000 up front. If you're interested in doing that, speak with a financial advisor at your bank.

Some of the assets listed above can only be purchased through a bank or a similar intermediary. As for stocks, read on, because there are a few Canadian equities worth looking into in 2021.

Some stocks looking good in 2021

There are plenty of Canadian stocks looking good as we head into 2021. Generally, you should buy a lot of stocks rather than just one, because diversification reduces risk. I'll highlight two individual stocks below to help you get started on your hunt for stocks worth buying.

The **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is one of the best Canadian bank stocks heading into 2021. Unlike most Canadian banks, which are still recovering from their COVID-19 damage, TD is already back to positive year-over-year growth. In the fourth quarter, it grew earnings by 80% year over year, or 1% if you exclude unusual/infrequent items. The 1% number is the most instructive.

TD closed its monster TD Ameritrade sale in the fourth quarter, which resulted in a massive $2 billion payday. That windfall won't recur in the future, so it's probably best ignored. On the other hand, TD does now have a 13.5% stake in **Charles Schwab**–the world's largest brokerage company–because of the sale. That investment should help drive TD's earnings growth well into the future.

Another Canadian stock looking pretty good right now is **Canadian Tire Corp** (TSX:CTC.A). It had a wild ride in 2020, dropping precipitously in the COVID-19 market crash, then surging back with equal fury later.

Early on, CTC.A's business got rocked by the pandemic. The combination of retail closures and tanking gasoline sales led to a $0.22 loss per share in the first quarter. Later, though, the company saw e-commerce sales surge 400%. In the third quarter, the company saw revenue climb 18.9% and earnings 43% year over year.

Clearly, this is a company that has much to gain in the post-COVID recovery. By buying it now, you could be setting yourself up for the next rally before it comes.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SCHW (The Charles Schwab Corporation)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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Date
2025/08/17
Date Created
2021/01/02
Author
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