



Got \$6,000? Max Out Your New 2021 TFSA Room!

Description

Active Tax-Free Savings Account (TFSA) users are eagerly waiting for the end of the year because the Canada Revenue Agency (CRA) announces crucial tax changes that take effect in the coming year. One of the most anticipated tax-related announcements that they wait for is the [TFSA contribution limit update](#).

The CRA officially released the 2021 contribution limit on November 20, 2020. TFSA users are always cheering when the new limit comes out. The much-loved investment tool has been with Canadians since 2009. For the 2021 update, the CRA has chosen to stick with the \$6,000 limit increase.

If you have not opened a TFSA but were eligible since 2009, the cumulative contribution room will be \$75,500. Any earnings or interests from your TFSA contributions are entirely tax-free. Additionally, you can withdraw from your account at any time without incurring any tax penalties from the CRA.

Careful with the no barrier to withdrawals

Having no barriers to withdrawals is undoubtedly an advantage. However, it can also be a major drawback for the account. Users might find themselves raiding their account and withdrawing funds whenever they want. The ideal way to use your TFSA is to be disciplined and resist the temptation to touch the money.

Tax-free compounding of money is one of the best ways to use your TFSA. Since there are no taxes on any of the interest earned or returns of any kind on investments in the TFSA, you can set and forget your investments in the account. You can keep contributing each year to grow your portfolio of income-generating assets.

Reinvesting your returns can allow you to generate even more income that keeps growing your account balance within the TFSA without affecting your contribution room. If you do not use your contribution room in a particular year, the limit will be carried forward next year.

Many TFSA users did not have the funds to contribute to their accounts in 2020. It means that you can

use that contribution room in combination with the additional \$6,000 contribution room to add a significant portfolio of dividend stocks to your account.

An excellent investment for the new TFSA limit

With more contribution room in your TFSA, it is always useful to be tactful in how you allocate the space to maximize its value in the long run. I think **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is a strong contender for the additional contribution room in your TFSA.

It is an incredible stock that can provide you excellent value for money. The pipeline giant has consistently increased dividends for the last 25 years, making it a Canadian Dividend Aristocrat. It raised dividends again in December 2020, making it one of the few companies trading on the TSX to retain Dividend Aristocrat status.

Enbridge belongs to a volatile sector that has suffered greatly due to the oil price crisis and diminished crude oil demand due to travel restrictions. The weak spot for the company has been the liquids pipelines that underperformed due to lower volumes in its mainline system in the U.S. and Canada. However, management expects its earnings growth to be almost 10% in the next five years.

Investing in the stock could help you benefit from any capital gains that the stock sees due to demand for oil returning to normalcy. Additionally, you can continue to grow your account balance through its increasing dividend payouts.

Foolish takeaway

Enbridge is trading for \$42.21 per share at writing. It is paying its shareholders at a substantial 7.91% dividend yield at its current valuation. The [dividends are secure](#) due to its reduced reliance on commodity price volatility. You could consider allocating some of the contribution room to Enbridge shares while maxing out your TFSA contribution room.

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1. Dividend Stocks
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