



## TFSA Pension: How to Turn \$6,000 Into \$190,000 and Pay No Tax to the CRA

### Description

While Canadians have relied on pension programs such as the Canada Pension Plan and the Old Age Security (OAS) to fund their retirement, it is always good to have alternative sources of income. Canadians who are saving for retirement can also look at investing in registered accounts such as the Registered Retirement Savings Plan, or RRSP.

However, the Canada Revenue Agency (CRA) might tax all the above-mentioned sources of income. So, you need to consider alternatives that allow you to increase your retirement income without paying additional taxes to the CRA.

For example, retirees who receive the OAS pensions are at risk of seeing these payouts clawed back if the net income is above the minimum threshold amount. Alternatively, the TFSA (Tax-Free Savings Account) is a great tool to build retirement wealth, as you don't have to pay any taxes on withdrawals.

The TFSA contribution limit for 2021 is \$6,000, which means the maximum cumulative contribution room is \$75,500.

### Hold growth stocks in your TFSA

Canadians can look to hold growth stocks in the TFSA and benefit from exponential gains as well as the power of compounding. One of the top growth stocks in Canada is **Constellation Software** ([TSX:CSU](#)), a company that has returned a stellar 3,100% to investors in the last 10 years.

This means a \$6,000 investment in Constellation Software back in January 2011 would have ballooned to \$192,000 today. While past returns are irrelevant to future investors, it makes sense to invest in companies that have a history of [market-beating gains](#) over the long run.

Constellation Software provides software-related services to enterprises in the private and public sectors. It acquires, manages, and builds software businesses that develop mission-critical software solutions.

Founded in 1995, Constellation Software has assembled a robust portfolio of vertical market software companies. The [company stated](#), “We have grown rapidly through a combination of acquisitions and organic growth, and established a strong constellation of companies with a large, diverse customer base comprised of over 125,000 customers operating in over 100 countries around the world.”

## CSU continues to grow sales at a stellar pace

In the third quarter of 2020, CSU sales were up 15% at \$1 billion, compared to sales of \$870 million in the prior-year period. Its net income rose 50% to \$122 million from \$82 million. In Q3, CSU spent \$123 million in acquisitions while its cash flow from operations rose 32% year over year to \$57 million.

In the first nine months of 2020, sales were up 14% at \$2.88 billion. The company attributed top-line growth to acquisitions, and after adjusting for inorganic growth, sales were down 1% year over year.

Constellation Software acquires companies that are profitable and growing at a fast pace. Its suite of mission-critical services means that switching costs are high, allowing it to have a strong customer-retention rate.

Constellation Software stock is valued at a market cap of \$34.1 billion, which means its trading at a forward price-to-2021-sales multiple of 7.4 and a price-to-earnings multiple of 38, which might seem expensive.

However, analysts expect the company to grow earnings at an annual rate of 24% in the next five years. Comparatively, its sales growth is forecast to accelerate from 12.4% to \$3.92 billion in 2020 to 17.8% to \$4.62 billion in 2021.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)

### PARTNER-FEEDS

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

### Category

1. Investing

## 2. Tech Stocks

**Date**

2025/09/27

**Date Created**

2021/01/14

**Author**

araghunath

default watermark

default watermark