



Canadian Investors: Maximize Your Returns With the TFSA

Description

It's no secret that investing is one of the most important and beneficial things you can do. Saving your money, investing it, and allowing it to compound and grow is not only a great feeling, but it will go a long way in expanding your wealth. Canadians are fortunate, too, as we get some handy tools to help us grow our wealth as efficiently as possible. One of the best tools investors have at their disposal is the Tax-Free Savings Account (TFSA).

The TFSA is one of the best instruments for Canadian investors. It not only can save us thousands in potential tax dollars but also provides a tonne of flexibility. And the greatest feature: the Canada Revenue agency allows investors a significant amount of capital for their TFSAs.

These accounts have only been around since 2009. Yet if you've been eligible since year one, you would have a total of \$75,500 of contribution room.

So, if you haven't used your TFSA until now, or you aren't using it to its full potential, here are all the incredible reasons to be thankful for your TFSA.

Benefits of the TFSA

The first and most important benefit of the TFSA is its flexibility. Compared to other registered accounts that help Canadians invest tax-free, the TFSA is far more accommodating.

For starters, you get a tonne of new contribution room each year. Plus, it carries over. So, for 2021, Canadians got an additional [\\$6,000 of contribution room](#). And because that carries over, the total contribution room for investors that have been eligible since 2009 is over \$75,000.

Carrying over unused room is one thing, but it's nothing compared to the fact that the TFSA also lets you withdraw money at any time with no penalties. You can recontribute that money, too. All you have to do is wait until the next calendar year.

The peace of mind knowing you can grow that money as well as access it anytime in case of

emergency is what sets the TFSA apart from any other account. This is one of the most important benefits of the TFSA and why it offers so much flexibility.

Then, of course, there are all the benefits the TFSA provides to your long-term investments.

Investing benefits

One of the biggest mistake Canadians make is using the TFSA as a savings account. The rules allow Canadians to use the account to invest in various securities, such as Canadian stocks.

This way, you can use your savings to invest and grow your money at a far better rate than the interest rate you'll receive at the bank. All of the capital gains, dividends, and interest income you collect will be tax-free.

So, if you invest for the long term, continue to contribute your savings, and let your money compound, you'll see just how useful of a tool the TFSA can be.

Use the TFSA to compound your savings

The power of compound interest is simply incredible. It not only will show why investing for the long term is so ideal but why you'll want to avoid saving your money in the bank, as opposed to investing it in stocks.

Take an investor who starts with \$50,000 in savings and contributes \$5,000 a year for 30 years. If they only left their money in a bank account, growing at a generous 2% a year, at the end of those 30 years, their TFSA would have a total value of \$293,400.

Contrast that to an investor who invests in the stock market and earns a conservative 6% annual return. At the end of the 30 years, they would have a total portfolio value of \$682,500.

This example shows just how powerful compounding can be. And the longer you invest the money, the faster it will grow.

So, with several attractive [Canadian stocks](#) to consider, such as **Park Lawn**, you can earn a lot more than 6% a year.

Park Lawn is a high-quality company that's grown exceptionally fast. In the last five years, the stock is up over 200% or more than a 25% compounded annual growth rate.

It's stocks like these that offer investors the most potential in their TFSA. So, if you want to start growing your money meaningfully, it's time to start maximizing your TFSA.

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