



## Canada Revenue Agency 2021: 1 Important TFSA Change to Note

### Description

The Canada Revenue Agency (CRA) announced several important updates before 2020 ended. One of the most important updates was regarding the Tax-Free Savings Account (TFSA). The TFSA has become an exceptional investment tool that Canadians have been using to improve their savings practices since its inception in 2009.

I will discuss the TFSA update announced by CRA for 2021 and two ways you can use the TFSA change to your advantage.

### 2021 limit increase

Ever since its inception in 2009, the CRA has changed the TFSA's contribution room each year. The annual contribution room increase allows Canadians to invest more in their TFSAs for greater long-term returns. Many active TFSA users were excited to see how much the CRA will increase the contribution room.

With the 2021 update, Canadian TFSA users now have \$6,000 additional contribution room to invest in their TFSAs. The cumulative contribution room in the account since its inception is now \$75,500.

You can use the TFSA as an investment vehicle to achieve both short- and long-term financial goals. I will discuss two possible assets you can consider for this purpose.

### Short-term tax-free returns

**Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) is a rare breed among TSX stocks. The high-quality tech company jumped into the limelight with its initial public offering (IPO) just a couple of years ago, posting significant growth in a short time. However, the stock took a massive beating with the onset of COVID-19.

LSPD lost more than 70% of its valuation during the February and March 2020 crash. The company's

revenues dwindled, as its subscribers found themselves shuttering businesses amid the lockdown measures. However, LSPD quickly adapted to the situation by expanding its offerings to suit its clients' changing needs.

It took just a few months for LSPD to regain its explosive momentum. The stock is trading for \$88.82 per share at writing, and it is up a whopping 640% from its March 2020 low. Fortunately, the stock has plenty of room to grow. Investing in the stock right now and storing it in your TFSA could provide you with significant and tax-free returns through its capital gains.

## Long-term tax-free wealth growth

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a staple asset in investor portfolios with a long-term horizon. The utility stock is a picture of stability and reliability, along with increasing returns. Fortis is a dividend-paying company that has been increasing its dividends for almost 50 years. Its immense dividend-growth streak has earned it the status of a [Canadian Dividend Aristocrat](#).

While utility operators like Fortis do not offer much in terms of sudden valuation increase, it offers long-term stability and virtually guaranteed income through its reliable dividends. Almost its entire revenue comes through highly regulated and long-term contracts, providing Fortis with predictable cash flows.

Unlike most other companies trading on the TSX, Fortis can continue generating revenues regardless of economic conditions. The result is a Canadian dividend-paying stock that can comfortably finance its expansion and increasing dividend payouts. Storing it in your TFSA can grow your wealth in the long run to help you meet your long-term financial goals.

## Foolish takeaway

The TFSA is an exceptional investment vehicle that you can use to become a wealthier investor. Creating a portfolio of high-growth stocks like Lightspeed POS and rock-solid dividend-paying stocks like Fortis could help you create a portfolio that can help you achieve your short- and [long-term financial goals](#).

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:FTS (Fortis Inc.)
4. TSX:LSPD (Lightspeed Commerce)

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