



## CRA Update 2021: 2 Crucial TFSA and RRSP Changes You Need to Know

### Description

The Canada Revenue Agency (CRA) has important information in 2021 regarding the [two prominent investment accounts in Canada](#). Users in either look forward to the for the CRA announces the changes, usually in November of the preceding year.

Again, Canadians can utilize their Tax-Free Savings Accounts (TFSAs) and Registered Retirement Savings Plans (RRSPs) for tax-free income or as a tax shelter while growing savings. The CRA encourages users to contribute anytime within the year without going over the prescribed limits.

### TFSA update

If you maxed out your TFSA contribution room last year, the maximum amount you can contribute in 2021 is \$6,000, the same limit in 2019 and 2020. For Canadian residents over the age of 18 since 2009 but never opened a TFSA, you can [contribute as much as \\$75,500](#) to your TFSA.

As customary, the CRA dictates the annual contribution limit. In case you did not fully utilize your TFSA, the unused contribution room carries over to the following year. Assuming your contribution in 2020 was only \$3,000, the available contribution room in 2021 is \$9,000 (\$3,000 + new \$6,000). If in doubt, contact the CRA to confirm your available limit.

### RRSP update

The RRSP is another important investment account most Canadians use to build their retirement funds. All RRSP contributions are deductible, so users can contribute yearly to reduce taxes. Any income inside your RRSP is tax exempt. Taxes are due only when you withdraw money from the account.

For 2021, the maximum RRSP contribution limit increased to \$27,830 from \$27,230 and \$26,500 in 2020 and 2019, respectively. If you weren't able to top up your RRSP contribution room in 2020, you can make up the following year or in later years.

However, the CRA sets a deadline for tax contributions every year. The deadline for this year is on March 1, 2021. Note that you can apply contributions made in the first 60 days of the year against the previous taxation year or any subsequent year. Another reminder is the RRSP maturity, where you must close the account on December 31st of the year you turn 71.

## Anchor holding in a TFSA and RRSP

Most TFSA and RRSP users want nothing more but to have a rock-solid core holding. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is the hands-down choice, primarily because it's the largest bank in Canada's robust but tightly regulated banking industry.

RBC's market capitalization stands at \$151.45 billion today. In North America, the top-tier bank is among the most diversified financial institutions. It dominates Canada's retail banking sector and operates in 16 countries. But above all, RBC is always on the leaderboard.

Its wealth management division ranks first in the home country and counts as the largest retail fund company. Canada's largest bank-owned insurance organizations belong to RBC. For 12 years in a row, it won honours as the best Canadian investment bank. If you invest today, this blue-chip stock pays a 4.03% dividend.

## Types of investments

The TFSA and RRSP have a common denominator: eligible investments. You can hold cash, GICs, ETFs, mutual funds, bonds, and stocks in either account. It pays to own both and max out the new limits if you're looking to secure your future financial health.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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**Date**

2025/08/17

**Date Created**

2021/02/13

**Author**

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