



TFSA Contribution Limit: How to Add FREE Cash With ZERO Penalties!

Description

We all love free money, but it's pretty hard to come by. You're already doing well by visiting the Motley Fool and finding stocks that could see returns come into your Tax-Free Savings Account (TFSA) for years to come.

But if you're wanting even more cash to come in without hitting those TFSA penalties, there's really only one way to do it.

First, the rules

There are rules for a reason, and the TFSA has several of them. For the purposes of this article, however, I'm only going to touch on two. Those rules are connected to your contribution room. Each year, the Canada Revenue Agency (CRA) adds contribution room to your TFSA. Since the TFSA's creation in 2009, that contribution room has grown by thousands each year. As of 2021, you now have a total of \$75,500 in contribution room.

Now, that seems like a lot (and it is), but if you've been maxing out on your contribution room each and every year, suddenly that doesn't seem like so much. If you've been putting aside 10% of your paycheck, a great way to save money for investing, then if you make \$60,000 per year, there's your \$6,000 in contribution room right there!

Then there's taking money out. Yes, it's tax free, but you don't get that room back until the following year. So, let's say I had a TFSA of \$50,000 with contribution room of \$25,500 this year. I then take out \$20,000 for a house project. Later in the year, I want to put in \$30,000. Sorry, but no can do. If I overcontribute, I'd face penalties. However, in 2022, I'll be able to access that contribution room. If you ever wonder how much room you have, simply log into My CRA Account or call the CRA directly.

The not-so-secret secret

So, you've maxed out on your contribution room and see an opportunity where you'd like to invest.

You're kicking yourself, because you have a bunch invested in stocks you want to hold long term (as you should). But you wish you had some cash on the side to invest in these stocks going through a pullback, or providing a long-term growth opportunity.

That's why your diverse portfolio should include dividends. Dividend stocks produce returns in the form of cash dividends every quarter or even every month. If it's invested in your TFSA, those dividends go straight into your cash holdings in your TFSA. You can then use it to invest in whatever you want!

So, to make the most of your investments, you'll want a stock that has a high, sustainable dividend yield. A great place to start is looking at the real estate investment trust (REIT) community. Choosing companies that don't have a lot of costs is a great option, as 90% of taxable income must be distributed to shareholders in the form of dividends. The fewer costs, the more dividends goes in your portfolio! Now you're taking in cash, tax free, and growing your TFSA as if you're putting in a paycheck each month!

Buy growth

A great option to [consider](#) today is **WPT Industrial REIT** (TSX:WIR.U). The company provides a 5.02% dividend yield as of writing, and shares are up 35% in the last year, providing stable growth. The company is part of the e-commerce industry, which obviously has been booming this year. Although we may not see growth like we did in 2020, there isn't likely to be a pullback in revenue. That makes this stock the perfect long-time buy, with 108 light industrial properties housing and shipping products around the world. And with a cheap share price, and an undervalued one times P/B ratio, you could bring in \$1,960 per year in dividends from a \$35,750 investment.

You don't have to be sneaky or do anything illegal to get around the TFSA's contribution limits. You simply need to invest in stocks that deliver cash. WPT Industrial provides that each and every month, so you can continue [investing](#), even when you reached your TFSA limit.

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