



TFSA Investors: Got \$6,000? Buy This Dividend Stock Now

Description

Canadian savers and investors look forward to the annual contribution limit for the Tax-Free Savings Account (TFSA). The Canada Revenue Agency (CRA) usually makes the announcement every November. There have been 12 announcements since the introduction of the TFSA in 2009.

For 2021, the annual contribution limit is \$6,000 — the same as in 2019 and 2020. Someone who has never contributed to a TFSA and was 18 years old on the account's inception will have a cumulative contribution room of \$75,500 on January 1, 2021. You're doing all right if you've been maxing out your limit each year.

Simple rules to follow

You don't need to think out of the box when using your TFSA, because the [rules are simple](#). The CRA indexes the TFSA yearly limit to inflation and rounds it to the nearest \$500. Contribute up to the maximum limit or available contribution room to avoid incurring a penalty tax (1% per month of excess amount).

The CRA also prohibits frequent or day trading. Otherwise, your earnings become business income and are therefore not tax-exempt. You can invest in foreign investments too for international diversification. However, be aware that income derived from assets abroad is subject to a 15% withholding tax.

Eligible investments

The TFSA name is somewhat inaccurate, because it's not an ordinary savings account. Treat it as your basket for saving and investing to achieve your short-term and long-term financial goals. If you've been maintaining a Registered Retirement Savings Plan (RRSP) before the TFSA, you can hold the same eligible investments you put in your RRSP.

Bonds, mutual funds, GICs, ETFs, and stocks are the qualified investments in a TFSA. Cash is okay,

although your TFSA won't deliver the goods if you store mostly cash in your basket. While there are zero risks and instant liquidity, [idle cash](#) can't generate as much tax-free income when you're building wealth.

Most TFSA users prefer stocks, because the potential returns are higher. Likewise, you can grow your balance faster with dividend stocks. The magic of compound interest works best if you accumulate stocks and keep reinvesting the dividends.

Established niche

Users have a fresh opportunity to earn tax-free income from the new TFSA contribution limit in 2021. **Chemtrade Logistics** ([TSX:CHE.UN](#)) flies under the radar, but you'll get the best bang for your \$6,000. The income stock pays an over-the-top 8.49% dividend. Your TFSA contribution will generate \$509.40 in tax-free income. Thus far, this year, the industrial stock's gain is 21.28%

The \$723.03 million company is well known in the specialty chemical industry. It provides industrial chemicals and services to customers in North America and internationally. Chemtrade manufactures its products in 65 facilities. The critical industries it serves include agriculture, pharmaceuticals, water treatment, and oil & gas.

Dozens of other industries such as pulp & paper, food production, electronics, and semiconductors demand Chemtrade's performance chemicals and solutions. The global pandemic did impact sales volume. However, Chemtrade's president and CEO Scott Rook expect to see improvement in the bottom line when COVID-19 is under control. Its customers should resume normal operations.

Unmatched features

The TFSA is more popular than the RRSP today. Its versatility and flexibility are unmatched. For this reason, the government encourages Canadians to maximize the full potential of their TFSAs. Unlike the RRSP, you can maintain the account past 71 years old, if not for life.

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Date

2025/07/21

Date Created

2021/04/23

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