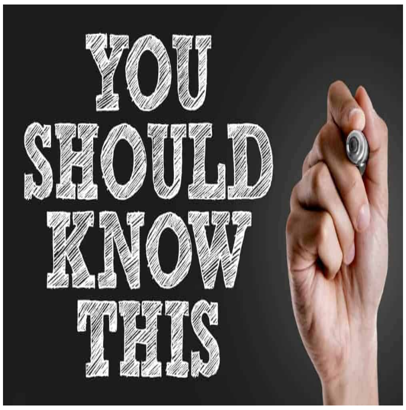

Canada Revenue Agency: 90% of Canadians Are Making This TFSA Mistake

Description

The Tax-Free Savings Account (TFSA) is one of the best tools that Canadians have at their disposal. Being able to invest a considerable amount of your money and avoid paying any tax on that income to the Canada Revenue Agency is something that shouldn't be taken for granted.

Just last week, we saw stocks across the board sell off over the very mention of higher capital gains taxes in the United States. Taxes play a significant role in investing decisions. So, having an account that has minimal restrictions and gives you substantial earnings potential is an incredible opportunity.

However, according to the Canada Revenue Agency, nearly 90% of Canadians haven't maxed out their TFSA.

It may not be practical to expect all Canadians to max out their TFSAs. Everyone's personal finances are different. Some Canadians may prefer the RRSP for tax purposes, as an example. However, the TFSA is still one of the greatest tools that Canadians have. So, it's surprising that only slightly more than 10% are maxing out their contributions.

Canada Revenue Agency: What to know about the TFSA

One of the biggest reasons why the TFSA has the potential to be so impactful on your personal finances is because Canadians get a generous amount to invest tax-free.

If you've been eligible since year one when the TFSA was introduced, you have a total contribution limit of $75,500. That's a tonne of money that you can begin to put to work for you.

Furthermore, the Canada Revenue Agency understands that Canadians may face unexpected emergencies and need cash to deal with them. So, there are no restrictions on withdrawing money from your TFSA.

You don't even need to recontribute it. However, if you want to put the money back in, all you have to do is wait until the next calendar year, and you can recontribute the total amount.

One other thing to note is that the Canada Revenue Agency also warns investors not to do too much trading in the account. If they deem an individual's day trading to be business activities, they could come at you for taxes owed.

The best way to use the TFSA is to find high-quality growth stocks that can consistently grow long term. This way, you can compound your money rapidly and grow your portfolio for years to come.

A top Canadian stock to buy today

If buying and holding stocks for the long term was what the Canada Revenue Agency wants to see Canadians use their TFSA for, then **InterRent REIT** (TSX:IIP.UN) might be the perfect stock for the account.

InterRent is a residential real estate fund — one of the most defensive industries you can invest in. Despite operating in a highly defensive industry, though, InterRent has been a rapid growth stock.

In fact, it's one of the top Canadian growth stocks of the last decade, up a whopping 1,078%, or just shy of a 28% compounded annual growth rate.

The growth has been spectacular for InterRent, which is why it's the perfect stock to buy in your TFSA. Not only is it relatively safe, but investors who own it in their TFSA won't have had to pay any taxes to the Canada Revenue Agency on that more than 1,000% gain.

There's no reason why this impressive growth can't continue either. InterRent's business model is fairly simple. The fund has generally invested in assets it's found to be undervalued or in need of investment.

InterRent then renovates the buildings considerably, increasing both the asset's value and the cash flow it can generate. You can think of it as the fund "flipping houses," except on a much larger scale. It's done this countless times, which is why the stock has seen such strong and consistent growth.

So, if you're looking for a top long-term growth stock you can buy in your TFSA, InterRent is one of the best to consider.

CATEGORY

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2. Investing
3. Personal Finance
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1. TSX:IIP.UN (InterRent Real Estate Investment Trust)

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