Canadian Investors: Are You Making This Common TFSA Mistake?

Description

There is no question that investing can be complicated. In addition to all the research you have to do to find stocks and understand what's going on with the economy, there are several different rules and accounts for Canadian investors to understand, such as the Tax-Free Savings Account (TFSA).

The TFSAs name can be somewhat confusing. While it's called a savings account, it was actually designed for Canadians to invest their money.

The TFSA allows investors to save a tonne of their money and invest it in Canadian stocks without having to worry about paying taxes on any of the income (as long as you aren't abusing the rules).

Currently, the maximum amount that Canadians can contribute to their TFSA depends on the year in which they turned 18. If you've been eligible since year one, though, you have over $75,000 of total contribution room, with at least another $6,000 of new room becoming available each calendar year.

Having the ability to save on taxes is a big deal, especially on such a large sum of money. Taxes can eat a large portion of your profits. So being able to save on taxes is important because it allows you to reinvest and compound the whole sum of money each year, which will allow you to grow your portfolio considerably faster.

Because the TFSA is called a savings account, though, many Canadian investors make the mistake of stashing cash in a TFSA or low-risk investments like a GIC.

Instead, you should be using it to buy high-quality Canadian stocks. And even if you have a low tolerance for risk, there are plenty of high-quality companies that can earn you a stronger return.

Here is one of the best stocks for Canadian investors to consider adding to their TFSAs today.

Canadian investors: the perfect long-term stock for your TFSA

No matter what situation you are in as an investor, everyone can use a low-risk Dividend Aristocrat like **Fortis**

(TSX:FTS)(NYSE:FTS) in their portfolio.

Fortis is the perfect stock for retirees and investors with a low tolerance for risk. But even if you're a young investor, who's focused on finding high-potential growth stocks, it wouldn't hurt to have a portion of your portfolio in a highly stable dividend stock.

But why is Fortis so stable and such a great investment to own for the long-term?

Fortis is a utility stock, one of the safest types of businesses Canadian investors can buy in their TFSA. The company has regulated operations in 10 different jurisdictions across North America.

Utilities are a necessity, so the operations of these companies are extremely robust. And because Fortis serves over 3.4 million customers in plenty of different jurisdictions, there is minimal risk.

We don't just want a safe stock, though. We also want a company that can grow for years, which Fortis has certainly done. In 1987 the company had just $330 million of total assets. Today it has more than $56 billion in total assets.

And going forward, Fortis which has raised its dividend for 47 consecutive years is targeting 6% average annual growth to its dividend through 2025.

So, in addition to being a highly stable company that can protect Canadians' TFSAs, it will also return more and more cash to investors each year.

So make sure that rather than using your TFSA as a savings account, you're using it to buy high-quality stocks and taking full advantage of all the benefits it has to offer.

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