TFSA: 1 Money Move to Make Before the New Year

Description

It's very simple. When it comes to your Tax-Free Savings Account (TFSA) there's really only one thing you need to do before the end of each year, and that is *contribute*.

How much to put in your TFSA

Each year, the Canadian government gives Canadians a contribution limit. If you were 18 in 2009, when the TFSA came into being, that means, as of writing, you have a contribution limit of $75,500.

However, this is only if you're opening a TFSA right now and were 18 in 2009. If you have been contributing each year, then you may only have this year's limit of $6,000. To make it even more confusing, if you hit those limits, then took money out, your contribution limit could be something completely different.

Don't worry, though; there is a simple solution. You can simply visit your My Account on the Canada Revenue Agency (CRA) website to find out your limit. Or just call the CRA! And once you find out, you want to hit that limit as soon as you can without stretching your finances.

What about my savings?

The TFSA *is* savings, so don't worry about having cash on hand. While there's a limit to how much you can contribute, there isn't a limit to how much you can take out. So, if tomorrow, you lose your job, buy a house, or register your kid in a school-for-geniuses program, you can take out every cent.

But, of course, the main benefit is, the sooner you contribute, the sooner you can make money on investments. Even conservative investments usually bring in more than inflation. But when it comes to choosing the right investment for your savings, it can be a bit tricky. So, if you're new to investing before the New Year, let's look at one you can consider for your TFSA.

Keep it simple

If you want strong, stable income, there are two things you need to look for. First, look for a conservative, stable stock that won't jump and dive with the market. Second, look for one that ideally offers dividends. If you're unfamiliar, dividends are payments made by companies that come out each quarter, even each month, like a paycheque.

For conservative investors then, I would recommend **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC). This conservative ETF is one of the many strong ETFs offered by BMO. However, this one has a substantial dividend yield of 6.79% as of writing. The company looks for long-term growth opportunities with solid dividend distributions. So, basically, it does the hard work for you!

The company does well during these volatile markets, and the proof is in the performance. Shares are up 12.5% year to date. Not a growth stock, sure, but over time, you can make serious cash. Just look at the growth since the market crash; it's up 50% since that time! All while collecting stable dividends, and it's certainly higher than inflation.

Foolish takeaway

If you've already hit your TFSA limit for the past years and are sitting on this one, get it in while you can. That's an opportunity lost to make an investment and see your cash rise ahead of the New Year. And keep reading Motley Fool articles for where you can make even more cash in the years to come for your TFSA!

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