



1 Important TFSA Update Coming in 2022

Description

Tax-free money growth is the [primary benefit](#) of the Tax-Free Savings Account (TFSA) in Canada. However, Canada Revenue Agency's (CRA) announcement of the new limit every November is the most important update to TFSA users. For 2022, the limit is unchanged and it has been \$6,000 the last three years.

Nevertheless, account holders aren't complaining because money set aside in 2021 can be put to good use. Along with the new annual limit is the higher cumulative limit (\$81,500) for those who were 18 in 2009 but without a TFSA yet. Also, users can add their unused contribution room this year to their 2022 limit.

Preferred eligible investment

All TFSA users can hold a combination of investments in the unique investment accounts. Cash is okay, although you maximize the tax-free benefit by holding [income-producing assets](#) instead. Most TFSA users prefer dividend stocks.

Besides the higher returns and dividend reinvestment opportunity, the CRA doesn't consider dividend earnings as taxable income. Be warned, however, that dividends from foreign stocks are subject to a 15% withholding tax. Another valuable feature is that you can withdraw funds anytime and not incur taxes whatsoever.

Buy-and-hold asset

If you're new to the TFSA and dividend investing, buying shares of the [dividend pioneer](#) is a great start. The **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), whose dividend track record is 192 years, started the practice of sharing a portion of profits with shareholders.

Canada's third-largest bank is ideal for long-term investors or retirees because the dividend payouts are safe and sustainable. It's like having a pension-like income source in the sunset years. TFSA users

can earn two ways from the bank stock, from dividends and price appreciation.

Your new TFSA limit can purchase nearly 45 BMO shares (\$134.11 per share). The \$89.93 billion bank pays a decent 3.97% dividend. On December 3, 2021, the dividend pioneer announced a 25% hike in payouts, the most significant percentage increase by a Big Bank.

The generous increase reflects BMO's strong earnings performance in fiscal 2021. In Q4 fiscal 2021 (quarter ended October 31, 2021), net income rose 36% to \$2.16 billion versus Q1 fiscal 2020. The bank should have no problems navigating the challenging environment in the months ahead.

Perfect complement

If you have unused contribution room in 2021, **Imperial Oil** ([TSX:IMO](#)) is the perfect complement to BMO. The \$30.87 billion oil & natural gas producer has an equally outstanding dividend track record (140 years). Moreover, the energy stock has raised its dividends for 26 consecutive years.

In Q3 2021, Imperial Oil's revenue and other income soared 71.6% to \$10.23 billion compared to Q3 2020. However, it was the more than 30,000% year-over-year growth in net income that impressed investors the most. Chairman and CEO, Brad Corson, emphasizes that the \$908 million profit wasn't due to higher commodity prices only.

Corson said the company reduced its overall cost structure and improved reliability. Apart from capturing maximum value, he said the twin moves ensure Imperial Oil's resiliency in case a downturn occurs in the future.

You only need one TFSA

A gentle reminder is that opening multiple TFSA accounts won't increase your contribution limits. The individual maximum limit applies, regardless of the number of accounts you have.

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