TFSA Investors: How to Invest the New $6,000 Limit in 2022

Description

The Canada Revenue Agency (CRA) is raising Canadian's Tax-Free Savings Account (TFSA) room by $6,000 again in 2022! Investors should try to maximize their TFSA every year to fuel compounded tax-free growth. The growth rate is key, which is why you should avoid "high" interest in your TFSA.

What's wrong with interest income?

Interest rates are anything but high. In fact, they're near their historical lows. My normal interest rate is 0.1%. Right now, I'm getting a special offer at one of my banks to earn a 2% interest rate for a short time in my savings account. Even if I can maintain a 2% interest rate longer, that will only be enough to offset the long-term inflation rate and, at best, maintain my purchasing power.

In the near time, the inflation rate is actually higher. Just last month, it was 4.7% in Canada, as reported by *Global News*. So, the boosted interest rate to 2% is not enough to help maintain purchasing power, unfortunately.

There's nothing wrong with earning interest income outside of TFSAs, if you need the liquidity and safety of a savings account. However, it would be a waste of precious TFSA room to earn low interest income.

The TFSA has so much more potential to increase your purchasing power and save you tonnes of taxes. Investors should aim for a return of at least 7-10%, which is the long-term average stock market rate of return. The difference between a 2% and 7-10% rate of return is huge over decades.

Here's an illustration of the impact larger returns can make on your financial future, assuming you maximized TFSA contributions every year since 2009, totaling $75,500 through 2021.

Rate of return	2%/year	7%/year	10%/year
TFSA balance at end of 2021	$84,877	$115,053	$139,030
Tax-free amount	$9,377	$39,553	$63,530

Invest the $6,000 TFSA limit in stocks

With a $6,000 contribution room and no or low trading fees from online brokerages, you might divide the capital equally into three to 12 stocks. Select a group of top stocks. You might be interested in a growth stock like **Nuvei** (TSX:NVEI)(NASDAQ:NVEI) as one of your buys. The tech stock has corrected big time, falling more than half from its 52-week high, while it raised its 2021 guidance. Year to date, its revenue and adjusted EBITDA roughly doubled!

Nuvei provides payment technology solutions that accept global payments and a range of different payment methods. Additionally, it allows its merchants and partners to pay for what they need, so that they can keep their costs low. This also implies that as these clients grow, they could increase their spending with Nuvei. As they rely more and more on Nuvei's flexible solutions, they become stickier to Nuvei and the company's moat widens.

According to *Yahoo Finance*, 13 analysts are calling an average 12-month price target of $155.53 per share, which represents roughly double from current levels! Investors are buying the dip in this promising growth stock. However, it doesn't mean you have to, too. Do your due diligence on a basket of quality stocks you're interested in and decide which ones fit your investment style and risk tolerance.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:NVEI (Nuvei Corporation)
2. TSX:NVEI (Nuvei Corporation)

PARTNER-FEEDS

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