Own a TFSA for Better or for Worse

Description

The Tax-Free Savings Account (TFSA) is an investment account like no other. Canadians who are least 18 years old can open one and contribute. You can maintain the account as long as you wish — even, more importantly, during your retirement years. The most endearing feature is the tax-free method of saving and investing.

In 2022, saving money is very difficult due to rising inflation. Research from Angus Reid Institute showed that people are challenged to make ends meet, as food and housing costs keep rising. About 25% of Canadians say they are uncomfortable with the current situation, while another 25% are struggling.

Prices, especially food and gas, have gone up considerably with the annual inflation rate hitting 8.1% in June 2022. The Bank of Canada expects the rate to remain painfully high throughout the year. It notes that demand is running ahead of the economy's ability to produce goods that people want. Thus, it will continue to create inflationary pressures.

Don't regret owning a TFSA

Canadians shouldn't regret opening a TFSA, even if socking away some money in the present environment is hard. The federal government, through the Canada Revenue Agency (CRA), sets annual limits for the TFSA. Since unused contribution rooms carry over to the next year or indefinitely, you're not missing out.

In 2022, the accumulated contribution room of those who were at least 18 years old when the TFSA was introduced in 2009 is now $81,500. If you're unable to maximize your annual contribution limit or available contribution room this year, nothing is lost.

Once you're financially capable again, you can play catch-up in meeting your long-term financial goals. Be sure to monitor your contribution rooms or check with the CRA to find out your availablecontribution room. Other TFSA users find it more convenient to set up regular contributions (automatedsavings tool) from a bank account to a TFSA. Small contributions will do for the meantime.

Hold income-producing assets

Like the Registered Retirement Savings Plan (RRSP), the TFSA can hold various income-producing assets, such as bonds, guaranteed investment certificates (GICs), exchange-traded funds (ETFs), mutual funds, and stocks. Cash is okay, too, but it's not advisable in a tax-advantaged account, as it's not a growth asset.

Dividend stocks are preferred investments of most TFSA investors because of regular income streams. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is an ideal anchor in a TFSA. Sharing a portion of its profits with shareholders is in the DNA of Canada's second-largest bank. TD's dividend track record is 165 years and counting.

Growth is on the horizon for the $149.43 billion bank. In February 2022, TD announced the purchase of Memphis-based First Horizon — its biggest acquisition ever. This week, management said it will acquire Cowen. The New York-based boutique investment bank operates in a high-growth market. Both deals should be complete no later than Q1 2023.

TD is the best value stock you can buy for less than $100. At $82.84 per share, the dividend yield is 4.28%.

Financial partner for life

The TFSA is a lifetime financial partner because of its flexibility and awesome features. Furthermore, you can accelerate your saving or wealth-building activities once the inflation-induced financial squeeze is over.

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