



Have You Exceeded Your TFSA Limit? Here's How a Down Market Can Help You

Description

Did you get a call from the Canada Revenue Agency (CRA) stating that you have exceeded your Tax-Free Savings Account (TFSA) limit? But the bear market has created a Black Friday sale in value and growth stocks you've always wanted to buy. Is there a way you can buy those stocks through your TFSA without exceeding the limit and inviting a 1% tax?

How to invest in a TFSA even after exceeding the limit

On January 1 each year, your TFSA annual limit renews. Additionally, your cumulative TFSA contributions for the years you have lived in Canada after 18 years of age affects your lifetime limit. This limit stops you from investing more of your working income tax free. But you can still find room for those coveted stocks. You can sell some TFSA stocks with weak [fundamentals](#) and limited upside and buy growth stocks.

Hold stocks with long-term growth and value and exit stocks with limited growth potential. You will face a loss, but a good stock can recoup your loss and give better returns, without attracting the 1% tax.

How your TFSA can make the most of the market downturn

It's time to revisit your portfolio. I am bearish on the oil sector even though it is the buzz of the world and trading near its 52-weeks high. Canadian oil stocks have garnered attention since the Russia-Ukraine war broke out and Europe and America banned Russian oil and gas. The oil price peaked at US\$127/barrel in June. Such a price is unsustainable as oil is a commodity every nation needs but many do not have the natural reserves. Thus, governments use diplomatic ways and policy-level changes to control oil prices.

In the face of world politics, oil companies don't have much power to control oil prices. Thus, they stick to reducing production costs to sustain profits. Canadian oil companies have a high cost per barrel compared with Saudi Arabia, Iran, and Russia. If these countries increase their oil supply, they can pull down oil prices.

Canada's **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) can sustain its profits and dividends as long as oil trades at [US\\$45/barrel](#). The trick to trade in this cyclical stock is to sell it in the upcycle because it has a limited upside linked to the oil price.

The stock surged 90% to above \$30/share between January 1 and June 7, when the oil price peaked at US\$127. Until the oil price crosses US\$127, Cenovus stock price is unlikely to reach \$30/share. If you own this stock, you can sell 50-60% of your holdings while it trades above \$25 as the stock price has reached its upside.

TFSA stock to buy on the dip

Use the sales proceeds to buy **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) stock, which hit its 52-week low in mid-October. BCE has a bright future as it nears the end of its three-year 5G infrastructure capital acceleration program. The fifth-generation technology opens the gates to autonomous driving and artificial intelligence (AI) at the edge. The [5G](#) technology will connect millions of devices to high-speed, low latency internet that can perform mission-critical applications like driving. BCE has a competitive edge over **Rogers Communications**, struggling with network outages and a merger with **Shaw Communications**.

BCE stock is down 20% from its 52-week high, and it can make a new high as 5G subscriptions grow. Moreover, the company increases its dividends at an average annual rate of 5%. If you invest now, you can lock in a 6.2% dividend yield, 5% dividend growth, and a 20% capital appreciation.

How this trade-off looks in dollar terms

If you invested \$2,000 in Cenovus stock (122 shares) at the start of the year, your investment is now \$3,160. You can sell 62 Cenovus shares (at \$25.9) worth \$1,600 and invest in BCE. This investment will give you an annual dividend of \$100 that could grow by \$5 annually and a \$320 capital appreciation when the economy recovers.

If Cenovus' stock price peaks at \$30, you still have 60 shares to sell and book profit. But if the stock slides never to reach a \$25 price again, you have booked your profit in Cenovus and secured a position in the fundamentally strong BCE.

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