



## How to Increase Your TFSA Limit Beyond \$6,000 Without Incurring a Tax Liability

### Description

The Canada Revenue Agency (CRA) sets an annual Tax-Free Savings Account (TFSA) limit on January 1. This year's limit is \$6,000, and any amount above that is taxed. But with so many lucrative stocks in the bear market, a \$6,000 limit looks small. What if you could increase your TFSA limit without incurring any tax liability?

### Going beyond the TFSA limit

The CRA's limit states that you cannot add more than \$6,000 to your TFSA account. But you can create an extended limit with the amount already invested. If you have [dividend stocks](#) in your portfolio, invest the dividend money to buy growth stocks that have taken a hit due to short-term challenges.

For instance, Amy owns 100 shares of **TC Energy** and has been receiving dividends for the last three years. She has accumulated \$942 in dividend income, which she never withdrew from her TFSA. This accumulated dividend becomes an extended TFSA limit, and Amy can enjoy the same tax benefits that apply to the \$6,000 limit. She can now use this money to buy some lucrative growth stocks in the [market downturn](#).

### Two growth stocks to buy with an extended TFSA limit

Like Amy, I suggest you avoid withdrawing dividend income from your TFSA unless you really need the money. You can make the most of your extended TFSA limit from the following two [growth stocks](#).

#### AMD stock

**Advanced Micro Devices** ([NASDAQ:AMD](#)) stock plunged 60% from its November 2021 peak as tech stocks witnessed a steep correction from inflated pandemic prices. It's trading near its July 2020 level, before the [crypto](#) boom. This correction is in line with its current fundamentals. Two factors boosted AMD stock price in 2020: PC demand surged in the wake of the home office trend, and demand

skyrocketed for graphics processing units (GPUs) as they're the most common method used for crypto mining.

The 2020 catalysts vanished in 2022. Global PC shipments fell 19.5% year-over-year in the third quarter (according to a Gartner [report](#)) as enterprises cut down on IT spending and individuals had already upgraded their PCs in 2020. Moreover, the crypto bubble burst has flooded the market with second-hand GPUs, hurting demand for the latest GPUs. AMD reduced its third-quarter revenue guidance by \$1 billion. The market could further pull down AMD stock after November 1 earnings.

But investors are missing out on the opportunity created by its Xilinx acquisition. Xilinx field-programmable gate arrays (FPGAs) and adaptive systems on chips (SoCs) open high-performance and adaptive computing opportunities for AMD. The acquisition will reduce AMD's dependence on PC demand and enhance its presence in data centers and networking. That could push AMD stock to new highs and triple your money in five to six years.

I suggest investing small amounts in AMD stock every month from the TFSA extended limit to make the most of the market downturn.

## Bombardier stock

While airline and manufacturing stocks performed poorly in 2022, business jet manufacturer **Bombardier** ([TSX:BBD.B](#)) stock surged 18.5%. Is this a case of the underdog reviving after years of losses and near bankruptcy? Looking at the improving fundamentals, it seems the answer is yes.

Bombardier has freed itself from any debt maturity till 2023 and is repaying its 2024 and 2025 debt obligations early with all free cash flow. This accelerated repayment brought significant savings in interest costs that helped the company report its first free cash flow of US\$514 million in eight years.

Bombardier stock jumped 270% from its pandemic low, pricing in the recovery. There is more upside in store for the stock as it's dipped 13% after the June [share consolidation](#) of 25:1. This turnaround stock is still in the growth stage. Now is a good time to buy Bombardier shares, as many investors are still adopting a wait-and-watch approach for the company to meet its five-year target.

## Investor takeaway

Between AMD and Bombardier, I would suggest investing 80% of your extended limit in AMD and less than 20% in Bombardier because the latter is a riskier stock. You can also explore more stocks to invest in the TFSA extended limit for a truly diversified portfolio.

### CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:AMD (Advanced Micro Devices)

2. TSX:BBD.A (Bombardier)
3. TSX:BBD.B (Bombardier)

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