The TFSA Limit Is Set at $6,000 in 2021: Here's What Canadians Should Be Investing in

### Description

Positive vaccine news wasn't the only announcement that Canadian investors were excited about in November. The confirmation of the 2021 Tax-Free Savings Account (TFSA) contribution limit definitely did not have as large of an impact on the stock market as the positive vaccine news did, but it's still good news nonetheless.



The TFSA limit for 2021 is set at $6,000, the same as it was in 2019 and 2020. The recent announcement from the Canada Revenue Agency confirming that the limit would be $6,000 is not a surprise for Canadians. Many investors were expecting the limit to remain the same as it was in 2020.

The TFSA limit is indexed to inflation, which is expected to be 1% in 2021. Since the limit is rounded to the nearest $500, the limit will remain at $6,000 for 2021.

## The TFSA limit didn't increase, but at least it's not decreasing

Canadians have been fortunate enough to be able to contribute to a TFSA for over a decade. Created in 2009, the TFSA was introduced by the Canadian government to encourage Canadians to increase their savings rates.

Annual limits have changed over the past 10 years, but the benefits of investing in a TFSA have not. Any Canadian aged 18 years or older is eligible to contribute post-taxed income into a TFSA and let their investments grow tax-free. Withdrawals can be made at any time, completely tax-free. Even better, once a withdrawal is made, investors will regain that contribution room in the following year.

Due to its tax-free benefits, the TFSA can be used for either short- or long-term goals. Once investors have determined their timeline and goal, the next questions usually fall towards the types of funds should be owned within a TFSA.

# Investing in stocks in your TFSA

In the short term, performance in the stock market can be very unpredictable. If this year has taught investors anything, it's that investments made in the stock market can be extremely volatile over the short term.

For long-term Foolish investors, stocks offer an excellent option for building wealth. TFSA investments in stocks can grow completely tax-free, allowing compound interest to work its magic. All investors need to do is sit back and add more shares to their winners.

I've covered two top TSX stocks that would be perfect for any long-term TFSA portfolio. One company provides a higher-growth potential, while the other is a much more conservative value stock that offers an impressive dividend yield.

## Constellation Software

**Constellation Software** (TSX:CSU) has been one of the top TSX stocks over the past five- and 10-year periods. Not only that, the stock is up close to 25% year to date, versus the Canadian market's return of just over 0%.



The tech company develops, installs, and customizes software for customers across the globe — often, the projects are for companies that work in very niche industries. That may partly explain why many Canadians have not heard of Constellation Software before, even though it's delivered growth of more than 3,000% over the past decade.

Trading today at a forward price-to-earnings ratio of almost 40, Constellation Software is definitely not a cheap stock. That's just what you'll need to pay to own a company with a market-beating track record like that of this tech stock.

## Fortis

To balance out the higher-growth Constellation Software, **Fortis** (TSX:FTS)(NYSE:FTS) is a perfect stock to own for any long-term Canadian investor.

The utility company has a very predictable income stream, which has led to a consistent track record of growth and dividends for years.

Fortis may not put up the same levels of growth as Constellation Software, but it has proven that it can outperform the broader market. The utility stock has delivered growth of more than 50% over the past decade, which is good enough to outperform the **S&P/TSX Composite Index.**

Market-beating growth isn't the main reason I'm suggesting you add Fortis to your TFSA, though. The utility company can provide passive income to investors through a dividend that yields more than 3.5% at today's stock price.

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1. Investing
2. Tech Stocks

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3. CSU stock
4. Fortis
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**TICKERS GLOBAL**

1. NYSE:FTS (Fortis Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:FTS (Fortis Inc.)



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