



3 Forever Stocks Perfect for Your TFSA

Description

For many conscientious Canadian savers, January is the most exciting month of the year. They can finally stick another \$5,500 into their TFSAs.

Tax-free savings accounts are one of the most important tools an individual investor can use. Once money is put into a TFSA, it grows tax-free. There's no tax penalty for withdrawing it whatsoever. That means that unlike with a RRSP, an investor who is sitting on a TFSA nest egg worth \$1 million would end up getting every cent of it, while the investor sitting on \$1 million in a RRSP is looking at paying taxes for years on as they slowly withdraw it.

In fact, for Canadians who don't make a whole lot of income, contributing to a TFSA over a RRSP actually makes sense, since the tax deferral offered by RRSPs is a moot point for those without much income in the first place.

Many Canadians have been fooled by the name of the account, and opt to stick their TFSA money into ultra-safe investments like so-called "high yield" savings accounts, most of which currently pay about 1% annually. It's going to take a long time to get ahead if you do something like that.

Instead, Canadians should be putting their TFSAs to work in the stock market. Here are three great stocks to get you started.

Loblaw

As other retailers crash and burn around it, **Loblaw Companies Limited** ([TSX:L](#)) continues to deliver great results.

The company realized it was a dominant force in the suburbs, but lacked a presence in the heart of most of Canada's cities. So it acquired Shoppers Drug Mart, which not only gave it an additional 1,200 plus locations, but also strengthened another area where it was weak, pharmacy.

2015 is when Shoppers is really expected to add to the company's bottom line. Earnings are expected to grow nearly 20% to \$3.51 per share, putting the company at a forward P/E ratio of less than 18x.

That's about the multiple of the overall market, which is a bargain to pay for Canada's leading retailer.

Think about all the challenges Loblaw has not only faced, but conquered. It weathered the storm of both **Wal-Mart** and **Target** coming to Canada. It has survived countless recessions. It even got over its own supply chain issues. That's the kind of company you want to own.

CIBC

Just about every Canadian investor owns at least one of the big five banks. If you need a reason why, just look at their performance over the years.

Although I think an investor will likely do pretty well no matter which bank they buy, **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is looking particularly attractive at these levels. It's trading at close to a 52-week low and is currently offering investors an eye-popping 4.5% dividend. It isn't very often you'll see that kind of opportunity from a company with a nearly 150-year track record of paying dividends.

One of the things hurting CIBC is other banks are more exposed to the U.S. dollar, which is translating into better results once those U.S. profits get converted back to Canadian. Over the next 20 or 30 years, I doubt this will make much difference to long-term investors.

Shaw Communications

Although the company's cable television business is very slowly melting away, there are still plenty of reasons to make **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) a part of your portfolio.

A big reason is the company's push into internet. People who cut the cord on cable are still likely heavy internet users, and can even be convinced to upgrade to the faster internet package with some of their savings. Plus, Shaw has been able to grow its subscriber base because it offers access to more than 45,000 wifi hotspots across the west.

This translates into a business with a solid 3.7% dividend after selling off of its recent 52-week high. Long-term investors have already enjoyed a decade with solid dividend growth, and will likely enjoy many more years of an ever-increasing payout.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:L (Loblaw Companies Limited)
5. TSX:SJR.B (Shaw Communications)

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