2 Cheap Stocks to Kick-Start Your TFSA Freedom Fund to the Next Level

Description

If a majority of your TFSA holdings are in cash or debt instruments, or if you've yet to contribute your maximum allowable amount, you may not be getting the most out of tax-free compounding, and that could be a detriment to your retirement if you're a young investor.

It's important to take risks as a young investor, because you can afford to. But don't speculate or invest in something that you know is out of your circle of competence. As Warren Buffett once said, investing is a game with no called strikes. You don't need to swing at everything, because if you do and things don't work out, you could spook yourself out of the game forever.

If you're still unsure of what to do with your TFSA cash hoard, you may want to treat the recent market sell-off as an opportunity to buy wonderful, low-risk/high-reward stocks at discounts to their intrinsic value. Here are two terrific stocks that you should buy and hold over the decades, as you unlock the true power of tax-free compounding!

Without further ado, here are the stocks:

Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

Unless you're a fan of watching freight trains roll by, like I am, the rails are probably a ridiculously boring place to invest. The industry hasn't really changed over the past couple decades, but over coming decades, I think the rails are going to experience major technological innovations that'll change the industry forever.

Derailments have become common in the rail industry, but going forward, artificial intelligence will probably make these costly occurrences a thing of the past. In addition, new tech innovations will also enhance safety, while increasing efficiency and reducing costs.

As North America's most efficient railway, CN Rail is at the forefront of railroad innovation, and if you own a few shares in your portfolio, you'll profit profoundly over the years, as the company stays at the cutting edge to reward its shareholders with an above-average magnitude of dividend hikes over the years.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is Canada's most underrated bank, and because of this, the stock trades at a discount to its Big Five peers, even though management has actively taken steps to become a more robust and geographically diversified bank.

With its newfound U.S. exposure through PrivateBancorp, CIBC has a foundation that'll allow it to make up for lost time over the years. And in time, I believe the valuation gap between CIBC and its peers will gradually shrink.

Despite CIBC's recent efforts, the general public is still concerned about the bank's exposure to the Canadian housing market. These concerns, although warranted, are overblown, in my opinion, and those with a longer-term investment horizon will be able to reap the rewards over the years by locking in a fat 4.4% dividend yield today.

Bottom line

Both CN Rail and CIBC are two terrific low-risk/high-reward dividend-growth kings that any new investor can feel comfortable owning in their TFSAs. At these levels, both stocks offer tremendous value, and if shares continue to decline, investors should feel comfortable adding to their positions.

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