



The Best Booze Stock to Hold in Your TFSA

Description

Where do you get your stock ideas?

I get them from all kinds of different sources. One of my favourite ways to generate ideas is following what analysts are talking about — not necessarily the names everyone's into, such as **Canopy Growth Corp.**, but the outliers that get little exposure.

Recently, JC Clark Limited CEO and portfolio manager Colin Stewart appeared on *BNN's* Top Picks segment. One of Stewart's three picks was **Liquor Stores N.A. Ltd.** (TSX:LIQ), a micro-cap stock that owns retail liquor stores in Alberta, B.C., and Alaska.

Here at the Fool, we like to cover larger companies whose earnings are more reliable and whose stocks are more liquid. That said, every once in a while, we do stray from the beaten path.

The best booze stock for your TFSA

The most important thing to remember when making investments within your TFSA is that you don't want to generate capital losses, because you can't use those losses to offset capital gains.

That is why it's best to hold speculative stocks in a taxable account, where, if things don't work out, at least you have the capital losses to offset the capital gains from your winners.

The other thing to remember about investing in your TFSA is you don't want to fill it entirely with dividend stocks, because you lose the benefit of the dividend tax credit that's available in a taxable account.

You really want to be somewhere in the middle: a little income, a little capital appreciation, but not too much of both.

With that in mind, TSX investors have a couple of options inside and outside the TFSA.

Inside the TFSA

The best option for your TFSA would be **Andrew Peller Ltd.** ([TSX:ADW.A](#)), which is building a nice wine business coast to coast with brands such as Peller Estates, Sandhill, Trius, and Wayne Gretzky Estates.

Andrew Peller continues to grow the top and bottom line through a combination of acquisitions, organic growth, and a focus on keeping costs as low as possible.

One thing that really plays in Andrew Peller's favour is the [move](#) by younger generations away from beer toward wine. In the decade between 2006 and 2016, beer companies in the U.S. lost 10% market share to wine companies. The same thing appears to be happening in Canada, where people are drinking higher-quality wine and spirits.

Andrew Peller doesn't yield a whole lot at 1%, but it does increase the dividend by 8-12% most years, ensuring the income portion of your investment will keep up with inflation.

The other option for inside the TFSA is **Corby Spirit and Wine Ltd.** ([TSX:CSW.A](#)). It's majority owned by the French spirits giant, **Pernod Ricard**, making and distributing a number of spirits brands, including Wiser's, Polar Ice Vodka, and many more.

Yielding 4.4%, it's not going to appreciate a whole lot, given it's a controlled company, but it will deliver on your income needs within the TFSA.

Outside the TFSA

Liquor Stores N.A., mentioned earlier, is appealing for two reasons.

First, **Aurora Cannabis Inc.** ([TSX:ACB](#)) recently acquired a 20% interest in the liquor store retailer paying \$15 a share or \$104 million. Liquor Stores currently trades around \$10.25. Ultimately, Aurora could end up with 40% of the retailer should it get approval from Liquor Stores's shareholders for an additional \$35 million investment as well as by exercising the two types of warrants Aurora was issued as part of the financing arrangement between the two companies.

Liquor Stores's goal is to open 50 cannabis retail stores in Alberta and B.C. in 2018. Some will be liquor stores already open converted for cannabis retail, and others will be brand new. Any way you slice it, it's a big deal for LIQ shareholders.

Second, I'd originally [recommended](#) LIQ stock back in May 2016, suggesting that Alberta's economy would recover and when it did, Liquor Stores's business would turn around. Unfortunately, the company has had significant management turnover since then, but it appears to be back on track.

However, I must stress that LIQ shares are speculative in nature and should not be held within your TFSA or RRSP under most, if not all, circumstances.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ACB (Aurora Cannabis)
2. TSX:ADW.A (Andrew Peller Limited)
3. TSX:CSW.A (Corby Spirit and Wine Limited)

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