2 Low-Volatility Momentum Stocks to Snowball Your TFSA

Description

The TFSA is a tool that every Canadian may use to unlock the profound effects of long-term tax-free compounding. You may have heard of "snowballing" your wealth through compound interest or reinvestment of dividends. When you take taxes out of the equation, this "snowball" effect is enhanced, so much so that many investors may have a difficult time fathoming just how fast their TFSAs can grow if they just set it and forget it for decades at a time.

Even with a below-average income, a young investor in their 20s who makes the maximum annual contribution to their TFSAs, using the proceeds to buy high-quality stocks, will be able to retire rich, assuming they reinvest their dividends and don't touch a penny of the funds within their TFSAs throughout the years.

Of course, the effects of snowballing can be enhanced if an investor picks quality growth stocks that have the ability to appreciate at an above-average rate versus lower-growth stalwarts. More growth is often associated with higher risk or greater magnitudes of volatility.

As such, lower-volatility (low-beta) growth names tend to trade at a premium versus their choppier counterparts, and with the emergence of smart-beta strategies, many high-growth, low-volatility stocks are becoming increasingly sought after. If you're looking to snowball your wealth in a safe and calculated manner, here are two low-beta momentum stocks that may be suitable for your TFSA:

Waste Connections Inc. (TSX:WCN)(NYSE:WCN)

The waste collection business is definitely not a "sexy" opportunity that you'd want to brag about to your colleagues at the water cooler. They'd much rather talk about Bitcoin, marijuana stocks, cobalt, or tulip bulbs.

Waste Connections is what I like to call the anti-Bitcoin. It's an old but necessary business with few competitors and a high barrier to entry — your typical Warren Buffett stock.

While the underlying business is boring, the long-term chart is definitely not. In addition to the low-beta capital appreciation the stock has enjoyed over the years, the dividend initiated a few years ago is also capable of being grown at an above-average rate year after year, as the company continues to expand its reach.

As the U.S. economy heats up, consumer spending will soar, and with that, somebody's going to have to clean up the mess. That somebody is going to be Waste Connections or one of its few peers.

The stock has continued to climb higher through thick and thin, and given the essentially guaranteed stream of income, you could stash it in your TFSA and completely forget about it for decades.

Boyd Group Income Fund (TSX:BYD.UN)

Boyd is another boring old-fashioned business with a pretty wide moat. The company operates collision auto repair shops throughout North America and has grown primarily through the [acquisition](#) of its smaller competitors. The time-tested growth formula has essentially been acquire, drive synergies, repeat.

The industry is still extremely consolidated; thus, there are ample opportunities for continued growth, as Boyd continues to consolidate across the red-hot U.S. market.

Accidents happen. And as long as they do, Boyd will continue to soar in price, as it takes over the auto body repair industry one acquisition at a time.

Bottom line

Both Waste Connections and Boyd trade at rich multiples of 23.1 and 25.3 times forward earnings, respectively. But when you consider their respective growth profiles, defensive nature, and a low probability of severe unforeseen consequences, I think both stocks are top low-beta momentum plays that TFSA growth investors should strongly consider buying today.

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