Young Investors: Top Growth Stocks That Can Help You Save Serious TFSA Retirement Cash

Description

If you've got years for your money to grow until retirement, stable dividend stocks that offer juicy dividends may not be enough for your appetite. What I have in mind is at least five years of investment — but *ideally* decades.

You may think it's ridiculous to invest for the long run at a young age. However, know that investing regularly in a basket of high-growth names early on can lead to loads of serious TFSA retirement cash over time.

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) and **Shopify** (TSX:SHOP)(NYSE:SHOP) should be at the top of your growth stock list for buying and holding in your TFSA. Both stocks can deliver humongous capital gains down the road and it'll all be tax free in your TFSA!

Brookfield Asset Management is a quality growth name

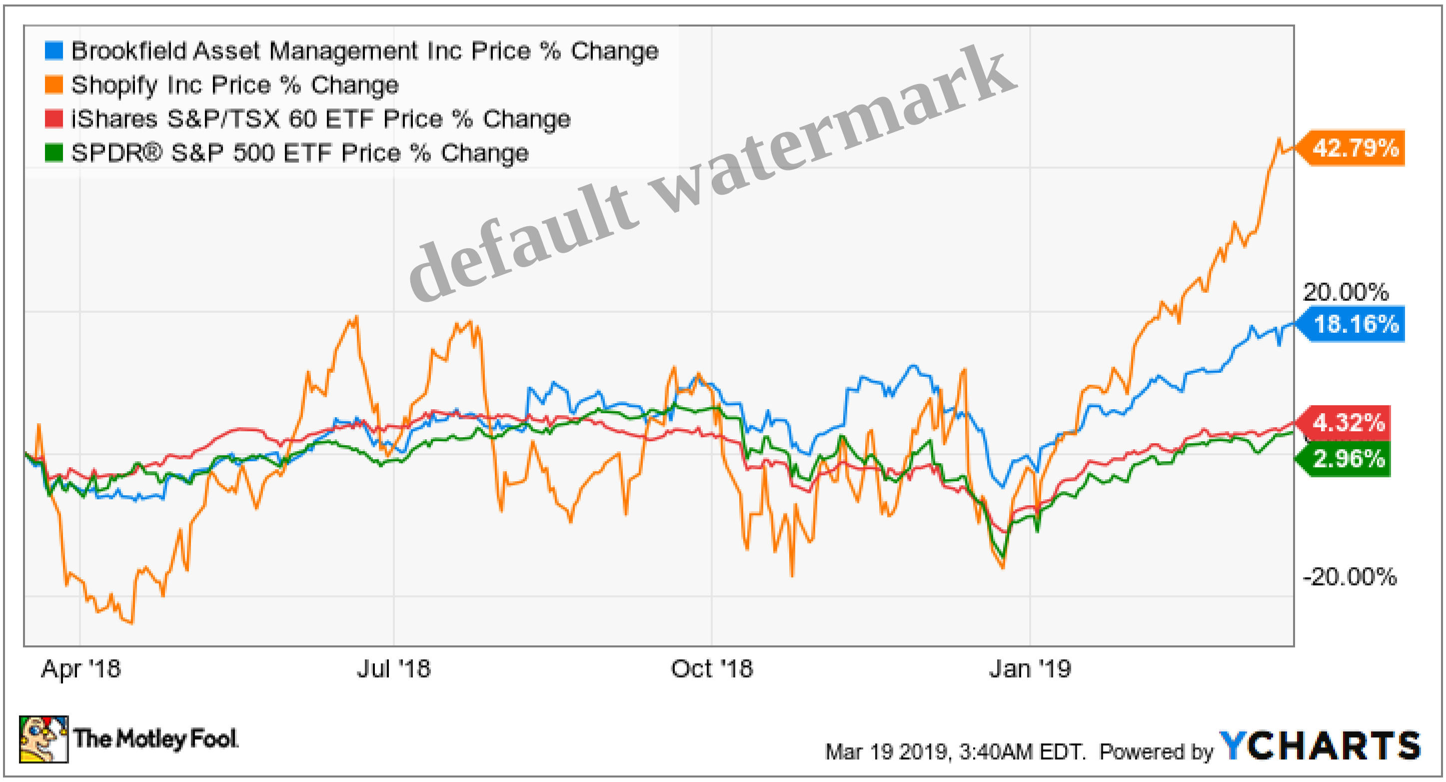
Since 2010, Brookfield Asset Management stock has delivered about 17.8% per year. An investment of $10,000 has transformed to nearly $45,000 in a little more than nine years. Only about 7% of the returns came from dividends. Going forward, investors should continue to expect most returns to come from price appreciation.

BAM invests across a range of alternative assets (i.e., real estate, renewable power, infrastructure, and private equity assets) that mostly generate stable and growing cash flows. The company has the goal of generating attractive long-term risk-adjusted returns in the range of 12-15%.

Admittedly, BAM stock has had a super run since December 2018 (up 24% from the low). So, it'd be more prudent to wait for some sort of pullback or consolidation before buying shares.

However, if you don't own any shares and have a long investment horizon, it may make sense to start a small position right now. Analysts think the growth stock is still a good value — **Thomson Reuters** currently has a 12-month mean target of US$53.80 per share on the stock, which represents 15.7% near-term upside potential.

Here's how BAM and Shopify stocks have fared against the Canadian and U.S. stock markets in the past 12 months.



BAM.A data by YCharts.

Shopify is growing crazy fast!

Since Shopify stock became publicly available in 2015, it has delivered about 74% per year! An investment of $10,000 has transformed to more than $81,000 in less than four years.

The company is still growing at a high rate. Last year, revenue increased by 59% to more than US$1 billion and gross profits increased by 57% to US$596 million. However, operating expenses also rose at a similar rate of 61% — a huge chunk of which is labour. Shopify needs to recruit the top talents to expand its teams and keep innovating.

Indeed, Shopify has been investing heavily in the business and exploring in areas such as virtual reality, augmented reality, and gaming as a channel, and geofenced flash sales. In the past three years, it has spent about 19-21% of revenue on research and development.

I have no doubt that Shopify will continue to grow at a tremendous pace. However, the stock just broke out from a consolidation in late January; it has appreciated about 30% since then! So, it'd be more prudent to wait for a pullback or consolidation before buying shares.

That said, if you don't own any shares and have a long investment horizon, it may make sense to start a small position right now — before the stock runs away from you.

Investor takeaway

If you're looking to save some serious TFSA retirement cash and have an investment horizon of at least five years (but ideally decades), I highly recommend you to consider Brookfield Asset Management and Shopify.

Notably, they can also decline very strongly in market corrections (and what stock doesn't?), but that's likely when you should buy more to reduce your cost basis to turbocharge for long-term tax-free growth!

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