



TFSA Investors: Does Cannabis Belong in Your Portfolio?

Description

Investing in blue-chip stocks and relying on a combination of capital appreciation and dividend income is a solid way to help grow your TFSA's value over the long term.

However, the downside is that it's a strategy that can be very slow. If you have more risk tolerance, you can certainly speed those returns up a bit.

One strategy could be to consider adding cannabis to your portfolio as well. Cannabis stocks have grown significantly in recent years and inside of a TFSA their returns would be tax-free.

And that's where with the industry still growing at a very rapid rate, there's lots of potential for long-term growth there.

A good example of a pot stock that could be a relatively safe choice for investors is **Aurora Cannabis Inc** ([TSX:ACB](#))(NYSE:ACB).

Although from January through to the end of July, the stock had climbed more than 21%, it still hasn't produced the returns this year that investors were likely hoping for.

The lack of a big [partner](#) coming on board to join the company and some unimpressive results thus far have made it difficult for Aurora to stand out from the pack and get the attention of investors.

However, all it takes is some news to get pot stocks going. And with edibles being right around the corner, having a stock like Aurora inside of your TFSA could be a good way to diversify your portfolio while also benefitting from a lot of potential growth.

As much risk as there is in the cannabis industry, a stock like Aurora has proven to be one of the more trusted brands out there.

Over the long term, the company could actually prove to be a much safer buy than it is today. As Aurora continues to grow its operations and as it gets closer to profitability and developing positive free [cash flow](#), it'll be less reliant on needing to issue shares, which will help prevent them from being

diluted and falling heavily in value.

Why cannabis has tremendous value for a TFSA

What makes Aurora an appealing buy to include in your TFSA is that there's significant potential for capital appreciation to be earned for investors by holding the stock.

In just two years, the stock has climbed by more than 260% — returns that you have next to no chance of earning with a bank or other dividend stock.

Being able to prevent those types of returns from being taxable is a huge advantage of holding the stock inside of a TFSA.

While I wouldn't suggest putting all your money into cannabis or into Aurora, making it a part of your portfolio can help provide it with some strong growth.

Aurora has been working on developing on its presence in not just Canada but around the world as well. The company is still far from reaching its potential, which is why it's easy to see why Aurora could continue to rise in value.

For investors that are okay with taking on some risk inside their TFSA, Aurora could be a good, strategic investment to make that could help increase your portfolio's value over the long term.

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2. Investing

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