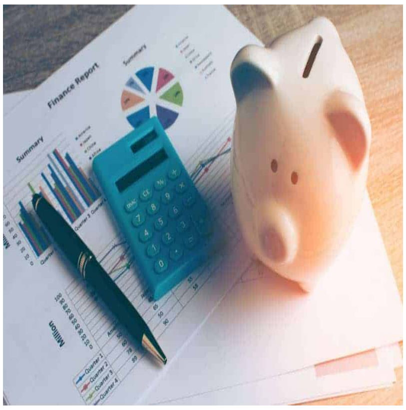

Stop Parking Cash in Your TFSA: Turn it Into a Tax-Free Income Stream Instead

Description

A TFSA was meant to give young investors an advantage over their wealthy Baby Boomer counterparts, but sadly, few Canadians are using their TFSAs properly, and that's a real shame.

It's not just about contributing the full amount as soon as one's able; it's about growing the proceeds over time, preferably not with cash, GICs, bonds, and the like, but with equities and REITs — the best investments in town.

We no longer live in an age where you can score a high single-digit return with risk-free fixed-income securities. Unfortunately, that means we all will need to take on a bit of risk through equities if we're to achieve a magnitude of growth that'll allow us to thrive.

Moreover, the TFSA provides investors with an invaluable legal shelter from taxation. You work hard for your money, yet a quarter of it goes into the pocket of the taxman every single year. It may seem impossible to get a leg up with such a hefty tax bill waiting for you every year, but for those investors who've been growing their TFSAs, they have a chance to produce a passive-income stream that the taxman won't see a penny of.

So, it's foolish (that's a lower-case *f*) to hoard cash in your TFSA, hoping that the markets will tank, so you can finally put your money to work. You could be raking in tax-free dividends from some of the crème-de-la-crème blue chips out there that raise their payouts every single year.

By choosing to stick with low-return, "risk-free" securities within your TFSA instead, you're surrendering tax-free income that would have been yours to keep, regardless of which direction the stock market moves.

Consider **Shaw Communications** (TSX:SJR.B)(NYSE:SJR), a 4.8%-yielding "Steady Eddie" dividend stock that's going to be taking its share from Canada's Big Three telecom incumbents over the next few years, as new telecom tech touches down across the country.

The stock has been consolidating in a wide channel for well over six years now, but now that the company has rid itself of burdensome media assets for a wireless foundation in Freedom Mobile, the growth profile suddenly became that much more interesting, and the stock could finally have a reason to break out.

Despite having a “wild card” wireless business that may be subject to regulatory advantages moving forward, Shaw has remained an unfavoured stock among its peers. Maybe it’s due to Freedom Mobile’s inferior network, or perhaps it’s because the stock doesn’t show up correctly when searched for on **Alphabet’s** Google.

In any case, Shaw is the epitome of a hidden growth play. As 5G infrastructure becomes the norm, I’d look for Shaw to play hardball with its bigger brothers, as it looks to “poach” subscribers.

At the time of writing, the stock trades at a ridiculously cheap 7.6 times EV/EBITDA. Although the fundamentals aren’t indicative of a growth stock (revenues have grown by just 5.3% annually over the past three years), it’s important to remember that such fundamentals point to the past, not the future.

Shaw is getting ready for the 5G arms race, and as it looks to undercut its peers, I see a scenario playing out where the underdog grabs an equal 25% slice of the wireless pie. This will take many years, though, so in the meantime, investors can enjoy collecting the growing dividend that will be free of tax if held within a TFSA.

With a low correlation to the broader markets (0.68 beta) and a large, growing dividend, Shaw blows any “risk-free” fixed-income investment right out of the water.

Why settle for fixed income when you can have growing income?

Stay hungry. Stay Foolish.

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