



1 High-Flying Stock You Shouldn't Put in Your TFSA

Description

One of the most common mistakes those who own a TFSA make is to treat it as [just another savings account](#). Of course, while there is nothing wrong with having cash in your TFSA, it is much more fruitful to include assets whose values can increase significantly over time.

Fortunately, more and more people are choosing to be a bit more adventurous in this regard, most notably by purchasing stocks to include in their TFSAs. But not all stocks should make it to your TFSA, and the recent performance of a stock shouldn't be the main factor in whether you decide to include it in your savings account.

Case in point, one stock whose performance has been impressive in recent months that probably doesn't belong in your TFSA is **Lightspeed POS** ([TSX:LSPD](#)).

One of the hottest growth stocks on the TSX

Lightspeed became a publicly traded company in early March, and since then, the company's share price has grown by about 75% (at writing). That is an impressive return in such little time, especially considering this period roughly coincides with equity markets slowing down somewhat significantly.

There are at least two main factors behind Lightspeed's performance.

First, the company's core operations seem very promising. Lightspeed provides several services to businesses within the restaurant industry, including point-of-sale (POS) systems, and e-commerce services.

Second, Lightspeed is likely to continue growing its revenue base significantly. After all, there is no shortage of potential small to midsize restaurants or retail businesses in need of the kinds of services the firm offers.

Lightspeed's prospects seem compelling, but the company poses a danger for those looking for stocks to stash in their TFSAs.

Why Lightspeed isn't the best stock to put in your TFSA

Despite its recent performance on the market and its interesting prospects, Lightspeed isn't yet consistently profitable. Sure, many businesses don't make a single dollar in profit within the first few years of their operations, only to later become strong corporations. However, because of its financial situation, Lightspeed could suffer significant market losses if its revenue growth decelerate, or if the economy enters a recession.

In either case, this could translate to losses for those who choose to include the tech stock in their TFSAs. Much of the firm's valuation at the moment relies on its perceived future success. Since no one can predict the future, it is best to include in your TFSA stocks of companies with more reasonable valuation metrics and that are overall less prone to volatility.

The bottom line

Lightspeed is certainly a promising tech stock, and it might be worth considering purchasing its shares. However, it probably shouldn't be on top of the list you craft when looking for stocks to hold in your TFSA for a long time. For that purpose, there are many other stocks you can buy.

CATEGORY

1. Investing
2. Tech Stocks

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1. technology

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1. TSX:LSPD (Lightspeed Commerce)

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