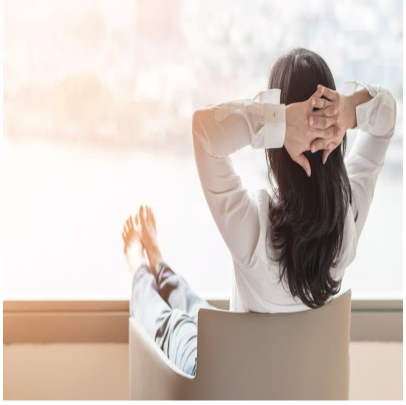

TFSA Investors: 3 Stocks to Hold for Decades

Description

Some investors might be tempted to use their TFSAs for short-term trading, comforted by the fact they can avoid paying any capital gains taxes.

There are a few reasons why this is a bad idea. First of all, the Feds are known for not approving of this strategy, and Canadians have been penalized for doing just that. Secondly, short-term trading generates a lot of commissions, costs that really add up over time. And finally, day trading is just a poor strategy. It's hard to predict what a stock will do on a day-to-day basis. It's much easier to get the long-term trend right.

The biggest reason to embrace a long-term buy-and-hold portfolio is because it's easier. All you do is buy great stocks, add to the portfolio each year when you make your contribution, and relax the other 99.9999% of the time. That alone should be enough to generate excess returns over time.

Here are three stocks that meet this criteria – the kinds of names you'll want to own in your TFSA for a long time.

Waste Connections

There are few businesses more predictable than garbage. The stuff has to be hauled away regularly, and I doubt consumers are going to suddenly stop generating waste.

But that's just a small part of the **Waste Connections** (TSX:WCN)(NYSE:WCN) bull thesis. The company is also a growth-by-acquisition machine, buying all sorts of smaller operators and their lucrative regional contracts. The rapidly growing company is then using these assets to bid on new contracts.

It all adds to impressive long-term growth. Revenue increased more than 10% on a year-over-year basis during the most recent quarter, and the top line is up some 150% over the last five years. Per-share profits haven't increased quite as much, but are still up some 75% since 2014. Analysts predict growth will continue, with the bottom line expanding by some 15% in 2020.

Waste Connections also pays investors a dividend; the current yield is 0.8%. Dividend growth, however, is exemplary. The payout was just boosted by more than 15%.

Northwest Healthcare

Northwest Healthcare Properties REIT (TSX:NWH.UN) owns health-related properties around the world. The portfolio includes medical office facilities in Canada and Europe, private hospitals in Brazil, and various assets in Australia and New Zealand, including long-term care facilities and retirement residences. When it's added all up, the portfolio stands at 13.8 million square feet.

The company recently embarked on an interesting growth path. It has leveraged its expertise as an asset manager to work with large institutional clients who invest in big projects. Northwest takes a minority interest and manages the assets. This allows it to grow at a much quicker pace than buying assets on its own.

The stock pays an attractive 6.8% yield, a payout that's easily covered by cash flow. In fact, the stock's payout ratio is under 80%, which is considered quite safe for a REIT. You can count on the dividend.

Capital Power

I own a bunch of **Capital Power** (TSX:CPX) shares in my own TFSA, an investment I plan to hold for many years.

The company has transformed itself from owning primarily coal-fired power plants in Alberta to a much greener portfolio spread across North America. It has used its pristine balance sheet to both make acquisitions and develop new projects, and with a still-reasonable debt load, management has no plans to stop the growth party. The company should also benefit from an improving Alberta power market as the province's economy improves.

Despite doing an excellent job growing the bottom line lately, Capital Power shares still trade at a rock-bottom valuation. The company projects it'll earn approximately $500 million in adjusted funds from operations in 2019. Shares have a current market cap of just under $3.4 billion. That gives us a price-to-funds from operations ratio under 7 times. You won't find many stocks cheaper.

Management is confident growth in the bottom line will continue, too. The company has already told investors they can expect dividend growth in the 7% range through 2021. Combine that with the stock's already generous 6.2% yield and we have a compelling case for long-term ownership.

CATEGORY

1. Dividend Stocks
2. Energy Stocks

3. Investing

TICKERS GLOBAL

1. NYSE:WCN (Waste Connections)
2. TSX:CPX (Capital Power Corporation)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
4. TSX:WCN (Waste Connections)

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