Accelerate Wealth Creation by Adding This Top Stock to Your TFSA

Description

Tax-free savings accounts (TFSA) are growing in popularity as Canadians recognize the considerable benefits they offer as a means of creating wealth.

A key advantage of holding growth investment such as stocks in a TFSA is that all capital gains and dividends are tax-free for the life of the investment. That removes one of the greatest long-term impediments to achieving investing success and ultimately financial independence: taxes.

However, up to 40% of Canadians are failing to maximize that benefit by holding cash rather than quality dividend paying growth stocks. One stock that every account holder should own is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). Brookfield has gained a whopping 71% since the start of 2019 and poised to deliver considerable value.

Low volatility and strong growth

Brookfield Renewable is an ideal growth stock to hold over the long-term because it has a beta of 0.52, indicating that it is significantly less volatile than the broader market and pays a sustainable distribution yielding 4.5%.

The partnership owns a globally diversified portfolio of renewable energy assets, which have 18,000 megawatts (MW) of capacity from which 74% comes from hydro power generation.

This provides Brookfield Renewable with a wide and almost insurmountable economic moat. Not only does it possess similar characteristics to traditional electric utilities and benefit from the inelastic demand for electricity, but hydro has become increasingly unpopular because of the significant environmental impact associated with constructing plants.

And that along with steep industry barriers to entry and significant regulation, protects Brookfield Renewable's earnings from economic downturns.

The business reported some strong results for the first nine months of 2019, indicating that it's finally unlocking significant value for unitholders. These included total power generation increasing by 4% year over year, EBITDA soaring by 10.5% and funds from operations per unit spiked by an impressive 27%.

There is every indication that Brookfield Renewable's earnings will continue to grow at a solid clip. It is in the process of completing a series of acquisitions, which will significantly boost its capacity, including a 50% interest in Spanish company **X-Elio**.

X-Elio is one of the largest independent solar platforms globally, and the deal will not only lift the amount of electricity produced, but further diversifies Brookfield Renewable's operations, making it less dependent on hydro**,** which can be affected by poor water levels.

The partnership also progressed multiple deals during the quarter, which will add a further 530 MW of capacity to Brookfield Renewable's assets.

An improved economic outlook also bodes well for higher earnings because of the correlation between gross domestic product (GDP) and electricity consumption.

The rapid uptake of renewable sources of energy will act as a powerful long-term tailwind for Brookfield Renewable. The International Energy Agency (IEA) expects renewable electricity generation to grow by around 20% between now and 2023 to provide around 30% of global power demand.

Demand for electricity generated from renewable sources of energy will accelerate as the cost of generation falls. It is estimated that by 2020, electricity costs from renewable sources could be up to 41% cheaper than from fossil fuels, further incentivizing the transition from hydrocarbon power plants to those using renewable sources.

That solid growth will drive greater demand for Brookfield Renewable's electricity giving prices, profitability and earnings.

This will support further distribution hikes and the sustainability of the distribution, which the partnership has hiked for the last nine years to be yielding a tasty 4.5%. Brookfield Renewable intends to grow that payment by 5% to 9% annually, meaning there are more hikes on the way.

It also offers a distribution reinvestment plan, meaning that unitholders can use those payments to buy additional units at no further cost, thereby enhancing returns and the rate of wealth increase. In fact, over the last 10 years, Brookfield Renewable has delivered an annualized return of 19% if distributions were reinvested compared to 15.5% if they were taken as cash.

Foolish takeaway

While past returns are no guarantee of future performance, that rate of return is far greater than any traditional income producing investments and highlights how investing in Brookfield Renewable can accelerate wealth creation.

The combination of low volatility, growing earnings, wide economic moat and regular distribution hikes, highlights why Brookfield Renewable is the only stock investors needs in their TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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Date
2025/08/27
Date Created
2019/11/25
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