3 Stocks to Buy With Your $6,000 in New 2020 TFSA Contribution Room

Description

On Wednesday, the TFSA contribution limit for 2020 was announced. Coming in at $6,000, it's unchanged from 2019 and brings the total to $69,500 for people who were at least 18 in 2009.

For those who have already maxed out their TFSA, 2020 will be an opportunity to add to their positions. For those who still have unused room from past years, it adds just a little extra to the available space.

Either way, if you have a TFSA, it's going to get $6,000 in extra space next year.

With that in mind, here are three stocks to consider buying with your extra 2020 TFSA contribution room.

Lightspeed POS

Lightspeed POS is a point-of-sale company that's experiencing steady growth and strong stock price gains.

The company had a very successful IPO this year, having risen 82% from its IPO date closing price so far.

Lightspeed is often compared to **Shopify**, a company with which it shares some similarities. Both companies are involved in payment processing, although Lightspeed is more focused on brick-and-mortar vendors than Shopify is. They are also both growth companies with high double-digit revenue growth, although Lightspeed's revenue growth is accelerating (50% in the most recent quarter versus 38% in the prior one) while Shopify's is slowing.

For the reasons outlined above, along with the fact that LSPD is slightly cheaper than SHOP, I think the former is a better short-term TFSA pick.

Alimentation Couche-Tard

Alimentation Couche-Tard is Canada's largest convenience store company with more than 15,000 stores worldwide.

The company is a market leader not only in Canada, but also in certain sales categories in the U.S.; for example, fuel sales.

Alimentation is experiencing rapid growth, with earnings up 24.4% in its most recent quarter. Past quarters produced similar numbers.

The TFSA is a great account for holding growth stocks, because it lets you cash out any quick gains without a tax penalty. Accordingly, it can be a great place to hold stocks like ATD.B, which could produce superior returns if the future resembles the recent past.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of the best Canadian dividend-growth stocks, averaging a 17% annualized dividend increase over the past five years.

From 2015 to 2018, the company grew its earnings from $250 million to $2.8 billion, so the dividend growth appears to be supported by growth in the underlying business.

One thing that must be mentioned about ENB's dividend is its payout ratio. Going off of net income we get a 99% payout ratio for the TTM period, which means that dividends eat up almost all of the company's earnings. However, if we use distributable cash flow in place of net income, we get a payout ratio of just 66%, which is actually fairly low.

Assuming that the company's Line 3 replacement and Line 5 tunnel go ahead, ENB's earnings growth should be strong. Additionally, the company has proven itself capable of growing earnings, even *with* all the project delays it's facing.

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