



2020 TFSA Contribution Room: 2 Canadian Stocks to Grow Your \$6,000 Yearly Contribution to \$1.5M

Description

The TFSA is a great investment vehicle, as it means you don't have to pay any taxes on realized investment income.

The new annual TFSA contribution limit in 2020 is \$6,000. Someone who has never contributed and has been eligible since its introduction will have a total contribution room of \$69,500. 2020 is the perfect time to implement these winning TFSA strategies with my top two stock picks to create more wealth.

Invest regularly

Growing wealth requires investors to invest every year consistently. Saving a fixed percentage from every paycheck allows investors to dollar-cost average, which will reduce the impact of volatility. With a fixed savings percentage each paycheck, you end up buying more stock when the price is low and less stock when the price is high, reducing the average cost base of your portfolio. It also reduces the risk of poorly timing one lump sum payment.

Invest enough

With the new \$6,000 yearly TFSA contribution limit, I would recommend maxing it out every year. Depending on your marginal tax rate, you could save up to 54% in taxes on your investment gains. If you have the full \$69,500 to max your TFSA contribution in conjunction with a savings plan of \$6,000 a year, at an 8% annual return, you will have \$1,510,180 in 30 years.

Stay invested

We should look at [Warren Buffett's investment strategy](#) for inspiration. He looks for the right companies that are trading below intrinsic value to buy and hold for the long term. Also, Buffett's strategy is to look

for companies that have durable competitive advantages, will be around for the next 50 years, have stability, have shareholder-friendly management, and have a track record of long-term performance.

Great value buys

My two recommended value stocks to start dollar-cost averaging in 2020 that would meet the criteria for Warren Buffett's buy list are **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)).

TD Bank has a strong competitive advantage with a deep-rooted brand name combined with its high visibility because of its 1,200 branches. TD has been around for 164 years and is a pillar of the Canadian financial industry with well-diversified financial service offerings. It has a strong track record of performance with an annual rate of return of 10.5% over the past 20 years.

Also, anytime TD's stock price has taken a hit, it has quickly recovered, making it a great stock for dollar-cost averaging. Even when TD stock isn't performing, it still pays a great dividend yield of 3.9%. Banks are not exciting, but TD is a great value buy that will perform now and well into the future.

Restaurant Brands International is a fast-food holding company with a portfolio that includes recognizable brand names such as Tim Hortons and Burger King. More recently, it has also acquired Popeyes Louisiana Kitchen. Having these three fast-food giants in its portfolio has given QSR a very impressive annual rate of return of 13.04% over the past five years.

A durable competitive advantage of QSR is that the Tim Hortons brand name is synonymous with being a Canadian. Its market share, combined with its recognition, is a moat that prevents competitors from taking any footing in the Canadian coffee market.

All three fast-food chains are also expanding into the [alternative meat industry](#) with its offering of Beyond Meat products at its restaurants. With the ever-changing taste of consumers leaning more towards healthy alternatives, this gives QSR a leg up on its competition.

Like banking, fast food is not exciting. However, people are always going to need quick meals, especially as our lifestyles become more fast-paced. QSR is a good value play that makes for a great long-term investment that you can dollar-cost average.

Adding both TD Bank and Restaurant Brands International is my recommendation for your 2020 TFSA contribution.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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