



3 Stocks I'm Buying With My 2020 TFSA Contribution Room

Description

Each year with the addition of more TFSA contribution room, investors have a tough choice. There is only so much contribution room to go around, so you'll want to pick some of the top investments available for two reasons.

The first reason is you want to maximize the tax-free investing capacity you have and earn as much income as you can since you know it will be tax free.

The second reason you'll want to select only the best of the best is because you don't want to lose money and therefore [contribution room](#), which is much harder to earn back.

That said, the top three stocks I'm considering adding with my contribution room are **Alimentation Couche-Tard** (TSX:ATD.B), **Leon's Furniture Ltd** ([TSX:LNF](#)) and **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)).

Alimentation Couche-Tard

If you've read or seen any financial news at all over the last six months, talk of a recession and potential market crash has become more frequent.

The talk has become more frequent because the likelihood of it happening has increased, which is why Alimentation Couche-Tard is the first stock I'm looking at adding to my portfolio.

Couche-Tard is an owner and operator of gas stations and convenience stores around the world with more than 16,000 total locations.

The gas station and convenience store industry is considered highly recession proof, as the drop-off in sales as consumers' disposable income is affected and will be much smaller than an expensive restaurant or a luxury fashion chain, for example.

Couche-Tard has been an excellent growth company to date, increasing its sales by more than 50%

from 2017 to 2019.

Given Couche-Tard's high growth potential and stability of its business, at a price to earnings ratio just over 18 times, the company looks highly attractive at these levels.

Leon's Furniture

Leon's is a nationwide company consisting of retail banners that sell home furniture. The company has outlasted a number of competitors it has faced over the years and bought up its biggest domestic competitor, The Brick, to form a high-quality Canadian furniture retailer.

It's grown the business organically as well, adding ancillary businesses like its furniture repair business and furniture insurance business in order to drive more sales and capture natural synergies that exist, while also improving customer satisfaction.

Despite the positive outlook for its business and economics and its incredible performance — as evidenced by the numbers — the biggest opportunity for investors is Leon's vast portfolio of high-quality real estate locations.

The company has already pointed to the potential for it to move some of its locations and sell the highly valuable real estate that some of its stores sit on right now, especially in major cities across the country.

While there are no plans to do that just yet, it's something Leon's can keep in its back pocket, only adding to the major investment opportunity.

A&W Revenue Royalties

The A&W Royalty Fund is a high-quality dividend payer that's included in the Canadian Dividend Aristocrats list. I'm adding a high-quality dividend payer for reasons similar to that of Alimentation Couche-Tard.

If the market takes a turn for the worse, strong and reliable income payers tend to have some of the best performances of all stocks in the market.

Furthermore, if the recession doesn't materialize, A&W will continue to operate at the highest level and continue to grow its system-wide sales, resulting in further dividend increases.

With top stocks like A&W, an investment is a win-win, which is why it's one of the first stocks I'm looking at using my 2020 contribution room on.

The fund has increased the dividend by roughly 33% since 2015, and has managed to decrease its payout ratio at the same time, demonstrating that its earnings have outpaced the dividend.

Going forward, you can expect more of the same from this leading royalty company, making it one of the most attractive investments on the **TSX**.

Bottom line

This highly anticipated recession will eventually arrive, so investors are advised to act now and set your portfolio up to be as resilient as possible. You can start now by using your 2020 contribution room to find these high-quality and defensive stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:LNF (Leon's Furniture Limited)

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