Investors: 3 Great Stocks To Buy With Your $6,000 TFSA Contribution

Description

January is an exciting time of year for personal finance nerds. We get the chance to make 2020's Tax-Free-Savings Account (TFSA) contribution, and what's more exciting than that?

The next step is figuring out what exactly the cash should be invested in. Many Canadians take the simple route and invest in broad-market ETFs, looking to own a little bit of every company in the index.

However, a smart, disciplined investment approach can do a little better. Remember, just a slight outperformance could result in thousands of extra dollars in your pocket.

Let's take a closer look at three potential stocks to put in your TFSA, fantastic companies with a history of outperformance. Sure, there's no guarantee this success continues, but I like their chances.

Bank of Nova Scotia

Each of Canada's five largest banks has crushed the overall market for years now. All investors really needed to do was pick one at random and hold on for dear life.

But what about going forward? I still think all five banks will be excellent investments, but I'm partial to **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). I'm bullish on the company's rock solid Canadian operations, but I really like its foreign assets.

Let's start with the domestic part of the business. Analysts are projecting tepid earnings growth in 2020 as various factors — like record-high Canadian debt levels and ultra-expensive housing markets — weigh on loan growth. A tepid local economy isn't helping either, and many pundits believe that Canada might have a mild recession in 2020.

While these short-term issues are important, investors who focus on them are missing out on the big picture. Canadian banking is a wonderful business and will continue to be for decades to come.

Then we have the foreign operations, which include assets in places like Chile, Colombia, Peru, and

Mexico. Yes, many of these places aren't the most stable politically, but they make up for this by offering better growth potential, a larger total market, and better net interest margins on loans.

Finally, Scotiabank pays a 5% dividend, a payout that has consistently grown for decades.

Telus

Another excellent business with a record of outperformance is Canada's telecom industry. Our three largest providers own the market, making it incredibly difficult for competition to make a dent. This is bad news for consumers, but great news for investors.

Telus Corporation (TSX:T)(NYSE:TU) is my favourite telecom for a few reasons. First, the provider of wireless, home phone, internet, and television services posts consistent growth, both growing total customer connections and average revenue per user.

Its churn rate is lower than the competition's thanks to a company policy allowing frontline staff to make retention decisions. And I like the fact the company doesn't have a media division.

Some of Telus's ancillary businesses are quite interesting. Its healthcare technology subsidiary should see solid growth, and its expansion into alarm services is a logical path forward — and it's just acquired call centre assets in Europe.

Finally, Telus pays a succulent 4.6% dividend, a payout that has been increased 18 times since 2011.

Intact Financial

Intact Financial (TSX:IFC) is Canada's largest property and casualty insurer, along with having significant operations in the United States.

The company has consistently been an excellent operator, making money on underwriting alone most years. Any gains from its substantial investment portfolio have just been gravy.

Although provincial governments do cap increases auto and home insurers are allowed to pass onto customers annually, Intact has still been successful on that front. When was the last time your insurance went down?

It still has massive acquisition potential. The Canadian insurance market is still pretty fragmented, and now that it has assets in the United States it could also look to make acquisitions there.

Intact's long-term returns will make your jaw drop. Over the last decade, including reinvested dividends, the stock's compound annual growth rate has been 17.41% — enough to turn a $10,000 initial investment into something worth $49,757.

Dividend growth has also been excellent, with the company boosting its payout for 14 consecutive years since its 2005 IPO.

The bottom line

Each of these great companies would look great in your TFSA. So what are you waiting for? Your future self will thank you.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:TU (TELUS)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:IFC (Intact Financial Corporation)
5. TSX:T (TELUS)

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