TFSA Investors: Where to Invest $6,000 Right Now!

Description

In 2020, TFSA investors are getting an extra $6,000 worth of contribution room.

If you're a seasoned TFSA user with a maxed-out balance, that's some fresh contribution room to take advantage of.

If you're just opening a TFSA now, it brings your total amount of contribution room to $69,500.

Either way, it means more money that you can invest tax-free than ever before. The only question is how you'll invest it. In order to realize benefits from a TFSA, you need to earn capital gains or dividends, so if you pick a losing stock that falls in value forever, the tax benefits are nil. With that in mind, here are two solid ideas for where to invest your $6,000 2020 TFSA contribution.

ETFs

ETFs are some of the obvious first choices for TFSA holders. They're great beginner investments that spare you the chore of having to research and pick stocks yourself.

One great index fund trading on the TSX is **iShares S&P/TSX 60 Index Fund** (TSX:XIU). It's a low-fee index ETF that tracks the TSX 60 — the largest 60 publicly traded companies in Canada by market cap.

Over the years, XIU has rewarded investors with about average capital gains. However, for my money, that's not the main appeal of this fund. The real draw is its 2.8% dividend yield, which makes it ideal for retirement investors — who typically have income as a top investing priority.

Another index fund to consider is **Vanguard S&P 500 Index ETF**. This is a U.S. fund that can be held in a TFSA or RRSP. It doesn't have quite the yield that XIU has, but it has delivered much more impressive capital gains. It's also a very low fee fund, with 0.08% MER.

Pipeline stocks have potential

If you're willing to take on a little bit of extra risk and buy individual stocks, you may find some good opportunities in the energy sector. Canada's energy stocks have performed poorly over the last five years, thanks to sluggish oil prices, but pipeline stocks may have potential.

Pipeline companies like **Enbridge** (TSX:ENB)(NYSE:ENB) don't depend on high oil prices to make money, because they transport oil rather than sell it. Accordingly, their business model is more similar to that of a railway than that of an energy exploration or extraction company.

This is one of the reasons why energy companies like Enbridge have gotten such extraordinarily high dividend yields. Investors, seeing weakness in oil prices, choose to sell their shares in energy stocks as a class. Pipelines like ENB get caught up in the dragnet and fall accordingly.

However, being transportation companies at heart, they can still grow sales with cheap oil, so their actual earnings may rise. The lower their share prices go and the more their earnings rise, the more dividends they can pay, resulting in rising yields.

The above phenomenon makes ENB a good income play. Just know going into it that that dividend is all you're getting, as investor bias against energy stocks could hold the share price back for quite some time.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:XIU (iShares S&P/TSX 60 Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/16
Date Created
2020/01/20
Author
andrewbutton