TFSA Investors: How to Spend $10,000 Today

Description

Earlier this week, I'd discussed how investors can identify trends that can lead to major investment wins down the line. These big gains are especially rewarding in a Tax-Free Savings Account (TFSA). For example, a $10,000 investment in **Aurora Cannabis** at the beginning of 2010 would have netted an investor $276,000 in tax-free capital growth by the end of 2019. That is certainly worth celebrating.

Today, I want to look at two stocks that have the potential to be stars in a TFSA over the course of the 2020s. Both equities also offer a little bit of income that should act as a nice boon for shareholders.

Extendicare

Canada's aging population will have significant ramifications for investors, and there are several stocks that are worth targeting to keep up with this shift. **Extendicare** (TSX:EXE) is an Ontario-based company that operates long-term-care facilities. In 2016, the Conference Board of Canada estimated that the country will need to add an additional 199,000 long-term care beds by the year 2035.

Shares of Extendicare have climbed 24% year over year as of close on January 23. Investors can expect to see its fourth-quarter and full-year results for 2019 before the end of this month. In the year-to-date period ending Q3 2019, the company reported revenue growth of 1.2% to $841.1 million and adjusted EBITDA of $68.1 million, which was down $3.6 million from the prior year.

Extendicare looks overvalued at current price levels, so value investors may want to wait for a more favourable entry point. However, the stock offers a monthly dividend payout of $0.04 per share. A purchase of 570 Extendicare shares, which works out to just under $5,000, would net an investor $22 per month in tax-free income.

goeasy

goeasy (TSX:GSY) is another company that is set to benefit from trends that have carried over from the beginning of the 2010s. Personal and public debt has skyrocketed in the developed world over the past decade, and many consumers have been forced to turn to alternative avenues to obtain credit. goeasy is a Mississauga-based company that provides unsecured installment loans to consumers.

Shares of goeasy have surged 86% year over year as of close on January 23. In Q3 2019, goeasy reported 38% growth in its loan portfolio and 20% revenue growth. Net income rose 38% to $14.3 million, and earnings per share increased 32% to $0.97. It is forecasting double-digit percentage revenue growth for the next two fiscal years and expects its gross loan receivable portfolio to exceed $1.5 billion by fiscal 2021.

This stock offers nice value, even as it hovers around a 52-week high. Shares last possessed a price-to-earnings ratio of 15 and a price-to-book value of 3.1. goeasy stock also offers a quarterly dividend of $0.31 per share. This represents a modest 1.7% yield. Investors looking for long-term growth should target goeasy for its great future potential, nice value, and proven management. This remains one of my favourite targets on the TSX to start the 2020s.

CATEGORY

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2. TSX:GSY (goeasy Ltd.)

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