



## TFSA Investors: Where to Put \$1,000 Right Now

### Description

Are you a new investor with \$1,000 to invest?

If so, there's no better place to invest than in a TFSA.

It takes a lot of growth to turn \$1,000 into a substantial amount of money, and the TFSA's tax-free status can help with that. The less taxes you pay on investments, the higher the return you actually realize. TFSAs, with their tax-free gains and withdrawals, help you maximize the amount of money you can actually take home. In fact, with the right investments and a TFSA, you can make \$1,000 go quite a long way — potentially to \$10,000 or higher. In this article, I'll review some investments to consider if you have \$1,000 you want to put to work for you.

### You need growth to make \$1,000 count

The first principle to keep in mind is that you're going to need [considerable growth](#) to turn \$1,000 into a substantial amount of savings. At a 10% rate of return, an investment will double approximately every 7.2 years, so it'll be a long road before \$1,000 turns into a nice nest egg at the end. What you really need is a growth-oriented portfolio that will deliver superior returns. That increases your risk of loss, but it also increases the chances that your \$1,000 will actually turn into something substantial.

### An example of this phenomenon

To see how quickly \$1,000 can grow when you invest aggressively, we can consider the case of a hypothetical investor who bought \$1,000 worth of **Constellation Software** near its IPO date. Constellation Software is a Canadian tech company that has seen its share price increase dramatically over the years, thanks to its prudent acquisition strategy and resulting earnings growth.

In September of 2007, about a year after its IPO, CSU traded for just \$24.6. Today, it trades for \$1,458. That's an incredible 5,826% increase. If you'd invested \$1,000 in CSU at \$24.6 and held to today, your shares would be worth over \$58,000. Of course, you wouldn't have been able to realize

that gain in a TFSA, since we're using a buy date from before TFSAs were created. Nevertheless, it goes to show that with just \$1,000 and aggressive growth, you can realize a mighty cumulative return.

Nobody can say for sure whether CSU's growth will stay as strong as it has been over the last decade or so, but there are many other TSX stocks that show similar promise. **Shopify**, for example, is in the midst of a trend that resembles CSU in its early days, but it's a [much younger company](#). **Lightspeed POS** also delivered some quick gains to investors who bought its IPO this year. Cannabis stocks, as a class, delivered strong returns in the lead up to legalization but have been languishing more recently. Buying growth stocks like the ones mentioned in this article always entails a lot of risk, but the rewards can be well worth it — especially if you hold your shares in a TFSA.

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