TFSA Limit 2020: 1 Stock That Turned $6,000 Into $220,000!

Description

The federal government increased the annual contribution limit for the Tax-Free Savings Account (TFSA) by another $6,000 in 2020. This brings the cumulative total to $69,500, at least for those who have been eligible since the inception of the TFSA. Last month, I'd discussed some ways investors can choose to use their contribution room this year.

At first glance, a $6,000 contribution may not seem like a lot. Some TFSA investors are still raw about the Liberal government decreasing the annual contribution limit from the $10,000 that the Harper government set all the way back in 2015. Fortunately, $6,000 can take investors a very long way with the right choices. Take, for example, the stock we are going to cover today.

This 2015 IPO has made fortunes

Shopify (TSX:SHOP)(NYSE:SHOP) has been a superstar on the TSX since its initial public offering back in May 2015. The TSX is often maligned due to its lack of options in the technology sector, but this Ottawa-based e-commerce software company has made up for that. In just this past year, shares have soared 174% as of close on February 6.

The stock debuted on the TSX with an initial price of $17. It closed its first day of trading at $31.25. Gains were modest in its first year of trading, but that quickly changed in the final years of the 2010s. A $6,000 investment in Shopify at its debut price of $17 would have netted investors 352 shares. The stock closed at an astonishing $628.97 on February 6. That means this initial investment would have ballooned to $221,397 in fewer than six years. This represents over $215,000 in tax-free capital gains.

In January, I'd discussed why Shopify is well positioned to shine over the course of this decade. Investors should not expect the kind of explosiveness we have seen since its IPO, but this looks like a tech star that has legs. A report from ResearchAndMarkets in late 2018 projected that the global e-commerce software market would expand at a CAGR of 19.1% from the forecast period 2018 to 2026.

Should you buy Shopify ahead of its next earnings report?

Shopify is set to release its fourth-quarter and full-year results for 2019 in the coming days. Founder and CEO Tobi Lütke has reorganized the executive suite ahead of the release, but this has not deterred Shopify bulls.

In the third quarter, Shopify reported an earnings-per-share loss of $0.29, which fell below expectations. However, its revenue came in at $390.4 million, which beat many analyst projections. The company surpassed one million merchants worldwide on its platform in Q3 2019, and gross merchandise volume (GMV) surged 48% year over year to $14.8 billion.

Shares of Shopify have been pricey for some time, but so is the broader TSX, which is hovering around record highs. Shopify boasts attractive growth potential and a fantastic balance sheet. Value investors may still be hunting for that dip, but Shopify’s momentum is hard to bet against right now.

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