2 Stocks That Don't Belong in Your TFSA in 2020

Description

A Tax-Free Savings Account (TFSA) is a good way to grow your savings. Picking the right stocks to put in there is crucial to ensuring that you're not taking on too much risk and incurring losses. After all, if you suffer losses, you're effectively losing the contribution room, as you can't re-contribute the money that you've lost.

That's why it's important to be extra picky when it comes to your TFSA. Below are two stocks that you should avoid putting in your TFSA, as they could do a lot of damage to it this year:

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) has been a good growth stock on the TSX, and it could still prove to be a good investment today. However, with its growth rate slowing down, and concerns that the coronavirus could impact its sales in China, there's ample reason to be concerned about the company's performance in 2020. The company adjusted its forecasts for the year, now expecting sales to grow between 13.8% to 15%, rather than its prior estimate of 20%.

Canada Goose may very well recover, but if you want to invest in it, I'd suggest doing it outside a TFSA. One of the disadvantages of holding a stock in a TFSA is that if it incurs losses, you don't get the benefit of being able to use those losses to offset capital gains elsewhere. If there's a good chance a stock may decline, you should avoid holding it in a TFSA.

Canada Goose remains a good long-term buy, however. Its quality-made products have proven to be in demand and popular with a wide demographic. Although its very Canadian brand may suggest it may only have local appeal, that hasn't been the case, as the company has benefited from sales from all over the world. But 2020 will likely be an off-year for the company.

Bombardier (TSX:BBD.B) is a stock you should avoid putting in your TFSA at all costs. Over the past five years, the stock has fallen by more than 35%, and there's little reason to be optimistic about it today. The company has struggled to stay out of the red, and quality issues reinforce that its problems go deeper than costs being too high or margins being too low. The business is a big question mark, and even a low price doesn't make the stock an attractive buy.

But unlike Canada Goose, Bombardier is not a stock I'd hold anywhere. Bombardier is just too risky, not only because of all the bad press and disappointed customers, but also because of the company's seemingly endless journey to keep on selling pieces of its business.

There are too many question marks surrounding how Bombardier's business may look five or 10 years from now, and the more uncertainty there is, the more difficult it will be for analysts and investors to be able to know what to expect from the stock.

Without out more certainty in its operations, Bombardier is just too risky of an investment to make today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. TSX:BBD.B (Bombardier)
3. TSX:GOOS (Canada Goose)

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Author
djagielski