



TFSA Investors: Diversify Your TFSA Portfolio With These 3 Top Stocks

Description

Any investment portfolio should be diversified to lower its risk. If you buy only one stock, you could incur major losses if the stock goes down due to disappointing earnings, bankruptcy, or fraud accusations. You cannot deduct capital losses on your investments in a TFSA, so you should be careful not to take risks that are too high.

Diversifying means buying stocks from several companies in different industries or sectors. Three stocks that are good long-term buys for a TFSA are **Dollarama** ([TSX:DOL](#)), **National Bank of Canada** ([TSX:NA](#)), and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)).

Buying those stocks in your TFSA will help lower its risk, since they are in three different sectors, but keep in mind that you should buy more than three stocks for better diversification.

Dollarama

Dollarama is the largest dollar store chain in Canada. It sells a wide range of everyday items, ranging from \$1 to \$4. This low-beta stock is great to own during a recession, as people will generally prefer buying low-cost products when the economy is slowing down.

While sales and profit growth have slowed a little during the past few years, they are still very good for a retailer. Indeed, analysts expect sales to increase by 6.8% to \$3.8 billion in 2020 and by 7% to \$4.05 billion in 2021. Earnings are expected to grow by about 11.4% per year on average in the next five years.

Dollarama's shares have soared by about 25% in one year but are down 2% since the start of 2020. I see this as an opportunity to buy a solid, [safe, and profitable](#) retail stock on the dip.

National Bank of Canada

Among big Canadian bank stocks, I believe National Bank of Canada is the best to buy now. The sixth-largest bank topped the five largest banks in the last 20 years, with a CAGR of 15.2%.

National Bank shows higher growth than the other big banks. Big Canadian banks struggled in 2019, especially in the fourth quarter, where they reported low earnings growth. However, National Bank stood out by posting double-digit increases in EPS and return on equity. It also hiked its dividend by 4%. The dividend yield is close to 4%.

National Bank does most of its business in Quebec — a market that is growing fast. Its loan portfolio carries lower risk than the other big banks since Quebecers have, on average, less mortgage debt in big real estate markets like Vancouver and Toronto.

The stock is very cheap with a forward P/E of only 10.6. Buying some shares of National Bank in your TFSA will give you an interesting dividend and capital appreciation with low risk.

Enbridge

On February 14, the energy giant specialized in pipelines posted higher fourth-quarter and full-year earnings, thanks to better use of its assets and infrastructure contributions put in place in late 2018 and last year. Earnings are expected to grow at an average annualized rate of 6.2% in the next five years.

Enbridge has commissioned projects worth \$7 billion in the fourth quarter, including the 1.1 billion Hohe See offshore wind project in Germany, the Gray Oak pipeline in Texas, and the Canadian portion of the project Line 3 replacement.

Enbridge is increasing its bets on the growing liquefied natural gas export sector on the U.S. Gulf Coast by buying the pipeline that would feed the proposed Rio Grande LNG export facility.

Enbridge has agreed to pay US\$15 million to **NextDecade** to purchase the pipeline project, with an additional amount not exceeding US\$10 million if NextDecade decides to proceed with the LNG terminal in the port of Brownsville, Texas.

CEO Al Monaco said the U.S. Gulf Coast is a key growth region for Enbridge due to its heavy oil refineries and its role as an export hub for light oil and natural gas.

If you like dividends, Enbridge should please you with its [dividend yield](#) of 5.2%.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:NA (National Bank of Canada)

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