TFSA Investors: Turn $69,500 Into $1,000,000 by Doing This

Description

Tax-Free Savings Accounts (TFSA) are flexible and offer tax-free withdrawals. The TFSA was introduced in 2009 for Canadians over the age of 18. The contribution limit for this account has been increased over the years and now stands at $69,500 for an individual who has never invested in a TFSA.

So in case you have the entire contribution available for investment, where do you park your funds? Canadians can consider investing in top quality growth stocks with a long-term horizon.

As TFSA withdrawals are tax free, you can allocate funds for high returns, which generally mean stocks. Growth stocks have been massive wealth creators over the years.

If you had invested $69,500 in **Constellation Software** 10 years ago, it would have been worth a staggering $2.56 million today.

But we know that past returns mean nothing, especially in the tech industry that continues to be driven by innovation. Also, putting all your eggs into one basket isn't advisable. Investors need to diversify their portfolio to mitigate risk and exposure to a single industry.

Here we look at another such growth stock with the potential to generate exponential returns for long-term investors.

Canada Goose

Shares of **Canada Goose** (TSX:GOOS)(NYSE:GOOS) went public back in 2017 at a price of $17 a share. The stock is currently trading at $40.72, which means it has more than doubled in less than three years.

However, the stock reached an all-time high of $92.18 in November 2018, generating returns of 440% in 20 months.

Now the stock is trading 57% below record highs. Canada Goose beat consensus' estimates in each of the last four quarters. But company management did not raise guidance — a conservative outlook that resulted in an extended bear run for Canada Goose stock. The company has also been impacted by decelerating revenue growth.

In 2017, company sales were up 51%, while gross profit rose 69% year over year. Its earnings more than tripled that year and driving Canada Goose stock higher. But sales growth has since fallen to 46% in fiscal 2018, and 40.6% in 2019.

The threat of coronavirus

China is a massive market for Canada Goose. The luxury retail brand is fast gaining traction in the world's largest luxury markets. However, the impact of the coronavirus in China is still to be determined.

This pandemic that has impacted China and most Southeast Asian countries continues to take a toll on the global economy and has affected several industries including airlines. China's consumer spending plunged during SARS and the same can be expected during this testing period.

Canada Goose has revised its sales growth estimates to between 13.8% and 15% below the company's prior forecast of 20% growth. Analysts expect Canada Goose to increase sales by 23.8% in 2021 and 24.6% in 2022.

Asia has been Canada's fastest-growing region for quite some time now. While the global pandemic may drive the stock lower, it also presents an opportunity for long-term investors.

The verdict

Canada Goose could be a massive wealth creator by the end of the next decade. The luxury retailer has most things going right for it and will be on a growth trajectory sooner rather than later.

Investors need to look at stocks such as Canada Goose to park their TFSA funds over a long period. Canada Goose is a growth stock trading at a very reasonable multiple.

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