



TFSA Investors: Top 3 TSX Growth Stocks for 2020

Description

The Tax-Free Savings Account (TFSA) is designed to shield all income and capital appreciation from taxes. However, as capital appreciation is likely to be far greater than dividend income, I believe investors are better off investing in robust high-growth stocks.

Here are my top three growth picks for the expanded TFSA contribution room in 2020.

Enterprise software

If you've ever wondered why there aren't that many enterprise software companies listed on the Canadian stock market, it's probably because **Constellation Software** ([TSX:CSU](#)) owns them.

The company was created in the 1990's by a former technology venture capitalist to focus on Canada's emerging software startups. Over the past three decades, this investment vehicle has acquired hundreds of small and medium-sized software firms that provide niche solutions to specific industries.

It's a formula that's worked out well. Shareholders have enjoyed a jaw-dropping 8,000% gain since 2006 alone. The company expects double-digit annual growth for the foreseeable future as it continues to gobble up smaller tech firms with recurring revenue and wide margins.

Constellation is the ultimate growth stock, and it's rarely cheap so keep an eye on it in 2020 if the market tumbles. I don't own the stock yet, but I could add some exposure if the valuation becomes more attractive this year.

Insurance underdog

Canada's insurance industry is estimated to be worth \$750 billion. That's for life and medical insurance alone. Add property, consumer and casualty insurance and this is a multi-trillion dollar marketplace.

While firms with the most assets under management dominate the industry, smaller players like **IA Financial** are quickly gaining ground. The challenger insurance and wealth management firm has delivered a 63% gain since December 2019.

Growth has been so robust in recent years that the company has declared six consecutive dividend boosts and is still paying out less than a third of annual earnings in dividends.

Despite that surge, the stock trades at 10.8 times earnings per share and offers a 2.8% dividend yield. While the company is worth just shy of \$30 billion, its total addressable market could easily be [north of \\$1 trillion](#).

In other words, it's a fairly priced growth stock with plenty of room for expansion and should certainly be part of your growth watch list for 2020.

Online shop

Canada's most popular growth story hasn't run its course yet. Early **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) investors have witnessed a 1,750% gain since the e-commerce giant went public in 2015.

The platform's core strength is its network of merchants, which recently surpassed one million members. Collectively, these merchants supported \$183 billion in global economic activity from 2016-2018, creating 1.4 million jobs along the way.

Now the Shopify team is enhancing its competitive advantage by rolling out a network of fulfillment centres across North America. A physical distribution network will give the company a leg up on other digital e-commerce platforms and could propel the company's valuation much further in the years ahead.

In fact, I estimate that Shopify could take a significant bite out of the global e-commerce market which is estimated to be worth US\$5.87 trillion by 2023. In other words, there's plenty of room to expand.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

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