



## TFSA Investors: 1 Stock to Build Your Portfolio Around

### Description

The Tax-Free Savings Account (TFSA) was introduced by the Canadian government in 2010. Available to residents age 18 and over, investment gains are not taxed and withdrawals are made tax-free.

The annual limit for TFSA investing in 2020 is \$6,000. Unused yearly contributions can be carried over, though. So, for anyone who was 18 years old in 2008, they now have a total contribution limit of \$69,500.

A major advantage of the TFSA is that it can be used for both short-term and long-term goals, as withdrawals are not taxed. Even better, any withdrawal amount is added back to your total contribution limit in the following year.

Canadians have the option to hold many different funds within their TFSAs, including stocks. But with the **S&P/TSX Composite Index** already down more than 25% in 2020, now may not seem like the most appealing time to be purchasing stocks.

**Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) is one of the largest publicly traded companies in Canada. If you are willing to face the much-anticipated volatility in the short term, this asset management company can provide long-term investors with both growth and passive income for many years to come.

### Brookfield Asset Management

With a market cap of \$67 billion, Brookfield Asset Management is within the top-five largest companies on the **S&P/TSX 60**. The company is an asset management firm that is constantly acquiring distressed assets and selling them off for profit.

The growth of the global company is driven by the [diversity of industries in which it operates](#). The asset manager has operations spread across four continents mainly focusing on real estate, transportation infrastructure, renewable energy, and private equity.

## Valuation

Brookfield Asset Management has outperformed the Canadian market over the past three, five, and 10 years. With an average annualized return of 17% over the past five years, the company has been an excellent stock for Canadians to own.

Although not the cheapest stock on the market, investors should expect to pay a premium for a company that historically outperforms the market. Now trading at a trailing price-to-earnings (P/E) ratio of \$24.85, the recent drop in the market has made the price of the asset management company much more attractive.

While the P/E ratio helps investors determine the price valuation of a company by using its earnings, the price-to-book (P/B) ratio analyzes the value of a company based on its assets and liabilities. The P/B ratio is most useful when analyzing capital-intensive companies, which is why we will use it to evaluate Brookfield Asset Management.

The company is currently trading at a P/B ratio of 2.11. Although this may indicate that shares are currently overvalued at today's stock price, it also suggests that there is a strong future projection of profits. The P/B ratio tells us that investors are willing to pay a premium price for the stock, as they are very bullish on the future of the company.

## Dividend

Not the highest dividend payer on the market, Brookfield Asset Management yields a dividend of 1.30% at today's stock price. The asset management firm clearly lags some of the top Canadian companies that yield dividends upwards of 4%.

For strictly income-seeking investors, Brookfield Asset Management may not be at the top of your watch list. But for investors that are looking for [growth that has historically outperformed the market](#) and a stock that provides a small but growing dividend, this asset management company is an excellent choice.

## Foolish bottom line

Working in many different industries across the globe, the company provides not only diversity through industries, but through its global presence as well. And with a history of outperforming the Canadian market, Brookfield Asset Management is an excellent cornerstone for any long-term investor's portfolio.

In market conditions like that of which we are witnessing today, it is completely understandable for any long-term investor to feel anxious and stressed about the uncertainty of the market. What's the secret to coping? Remember that we are owners, not traders. We buy shares of companies that we believe in and are invested for the long term.

Keep calm and carry on, Foolish investors.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

## PARTNER-FEEDS

1. Business Insider
2. Msn
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