



TFSA Investors: Profit From the 2020 Market Crash and Retire Wealthy

Description

Tax-Free Savings Account (TFSAs) are finally [gaining the recognition](#) they deserve. The accounts are an important tool for building wealth. Essentially all capital gains and dividends received on an investment held in a TFSA are tax-free for the life of the investment, even after withdrawal.

The secret to building wealth at a rapid clip is to use a TFSA to hold quality dividend-paying stocks and reinvest the dividends to unlock the power of compounding.

By maximizing the length of time that you receive compounding investment returns, in what is essentially a tax-free environment, the quicker you can build wealth.

Buy this stock today

The [market crash](#) triggered by the outbreak of the coronavirus has created a once in a decade opportunity to acquire quality dividend paying stocks at very attractive valuations. By holding them in your TFSA, you can eliminate the corrosive impact of taxes on investment returns accelerating the pace at which wealth is created.

A highly appealing stock to buy is **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)). It's down 3% since the start of 2020, making it attractively valued.

Canadian National is the ideal stock for a TFSA. It has a beta of 0.65, meaning that it's significantly less volatile than many other stocks and the overall market. Canadian National possesses strong fundamentals and holds a dominant position in an oligopolistic industry with steep barriers to entry.

Demand for rail services is typically relatively inelastic because it's the only means of economically transporting bulk freight. Canadian National operates the only North American transcontinental rail network — a rail infrastructure is critical to economic activity.

When coupled with the other characteristics of its business, it endows Canadian National with a wide almost insurmountable economic moat, protecting Canadian National from competition while virtually

guaranteeing its earnings.

For those reasons, it's not a highly volatile stock, making it an ideal investment to build wealth over the long term.

History of delivering value

Canadian National has a proven history of creating value for shareholders. It is driving efficiencies and cutting costs across its business to boost profitability. That includes implementing improved technology to boost revenue and increase operational safety.

This has supported higher earnings and a growing dividend. Canadian National has hiked its dividend payment for 23 years straight to be yielding around 2%. While not a monster yield, the regular dividend hikes ensure that investor returns continue to grow.

If you were to hold Canadian National in a TFSA and reinvest the dividends you can access the power of compounding. That will significantly accelerate the pace at which you can create wealth — and is enhanced by eliminating the corrosive impact of taxes on investment returns through the use of a TFSA.

This allows you to generate strong investment returns, which is highlighted by Canadian National's performance over the last decade. If you had invested \$10,000 in Canadian National 10 years ago and reinvested those dividends, it would be worth \$44,000 today.

That represents a total return of 340% or a compound annual growth rate (CAGR) of a stunning 16%. If the dividends had been taken as cash, the overall return falls to 313% and the CAGR is 15%.

Foolish takeaway

Canadian National is an ideal stock to buy in the current difficult environment and hold in a TFSA. The stock's low volatility compared to many others and its attractive valuation makes now the time to buy.

Canadian National's solid fundamentals and wide almost insurmountable moat ensures that its earnings are not under threat.

When those defensive attributes are coupled with a regularly growing dividend, Canadian National is the ideal stock to access the power of compounding and build long-term wealth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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