



3 Safe Money-Making Ideas for TFSA Investors

Description

A Tax-Free Savings Account (TFSA) is one of the best tax-efficient options for Canadian investors. With a TFSA, dividends, interests, and capital gain will be tax-free during the investment period and even at withdrawals.

Thus, to make full use of this account, investors should look for [stocks with solid total return potential](#). Those that offer fair dividend yield and strong growth potential would be more prudent for TFSA.

The TFSA contribution limit for 2020 is \$6,000, and the total contribution limit is \$69,500. Let's take a look at the three safe stocks with solid total return potentials.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is the biggest utility in Canada. Utilities generate stable cash flows and thus pay stable dividends. Even in economic downturns, people use electricity which facilitates stable earnings for utility companies.

Fortis stock currently offers a dividend yield of 3.5%, close to that of the broader markets. FTS stock has soared more than 10% in the last 12 months. The recent market crash driven by the virus outbreak weighed on Fortis as well, though it soon bounced back.

The management of Fortis [aims to increase](#) its dividends by 6% per year through 2024. Utility stocks are often called as widow-and-orphan stocks because of their slow stock movements and stable dividends. However, such [defensive investments could notably outperform](#) broader markets over a longer period.

In the last five years, Fortis stock returned 85% with dividends reinvested, while **TSX** stocks at large returned 35%.

Loblaw

With a market cap of \$27 billion, **Loblaw** ([TSX:L](#)) is one of the biggest grocers in Canada. A combination of groceries and healthcare essentials render it well placed in these challenging times, which makes it an attractive investment bet.

Loblaw's earnings have a little or no correlation with business cycles, which makes it a safe play for long-term investors. Energy or industrial companies have a direct correlation with business cycles and thus their earnings and stocks significantly tumble during troughs.

Loblaw stock exhibited a sharp slump during the pandemic crash last month. But it has notably surged soon after and is currently trading at its 52-week high. Loblaw stock has soared more than 15% in the last 12 months.

Loblaw stock yields nearly 2% at the moment, lower than the broader markets. However, its long dividend payment history indicates stability. In the last five years, it managed to raise dividends by 5% compounded annually.

Absolute Software

Absolute Software (TSX:ABT) is a cybersecurity company and has more than 12,000 customers worldwide. Though it is much smaller in size compared to the above two, it has huge growth potential for the future.

Absolute Software stock has surged more than 30% since its recent lows last month. However, it is still 15% lower against its 52-week high of \$10.6, indicating room to grow.

There is no need to highlight the importance of information technology in our daily lives. As companies are ready to spend large amounts to protect from cyber-attacks, there's huge growth potential for Absolute for the future.

In the last two years, Absolute has managed to double its earnings year over year. Absolute stock offers a dividend yield of 3.5% at the moment. Its dividends and large growth potential add up to an attractive proposition for TFSA investors.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:ABST (Absolute Software)
3. TSX:FTS (Fortis Inc.)
4. TSX:L (Loblaw Companies Limited)

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