Millennial Couples: Turn $139,000 Into $4 Million and Pay Zero Taxes to the CRA

Description

The ongoing bear market has wiped out billions in investor wealth. However, it also provides long-term investors with an opportunity to create massive wealth by investing in top-quality stocks at cheap valuations.

The COVID-19 pandemic will result in near-term volatility for equity investors. But, as we know, it is impossible to time the markets, and every major pullback should be viewed as an opportunity to invest in high-quality stocks.

The Tax-Free Savings Account (TFSA) is one of the most flexible investment options for Canadians. Any withdrawals from the TFSA in the form of capital gains or dividends are tax-free. The maximum individual contribution limit for the TFSA in 2020 stands at $69,500. For some millennial couples, this limit stands at $139,000.

The TFSA can be used to build a robust portfolio of growth stocks. We have seen companies such as **Apple**, **Netflix**, **Amazon**, **Shopify**, and several others generate significant wealth for long-term investors. Growth stocks have the potential to crush market returns over the long term. For example, an investment of $139,000 in Shopify during its IPO would have generated close to $4 million today.

However, due to their high valuation metrics, growth stocks have lost considerable value in the recent sell-off driven by the COVID-19 pandemic, making them attractive for contrarian investors.

Lightspeed is trading 64% below record highs

Lightspeed POS (TSX:LSPD) went public last year at a price of $16 per share and raised $240 million. The stock is currently trading at $17.87, which is just above its IPO price. However, it has lost 64% in the last few months due to valuation concerns, low profit margins, and the dreaded coronavirus.

Lightspeed provides point-of-sale solutions to restaurants and several companies in the hospitality space. The restaurant and hospitality sector has been severely impacted due to nationwide lockdowns, which should result in a substantial decline in revenue for Lightspeed.

On April 8, 2020, LSPD provided an update on its business operations that pleasantly surprised investors. The company expects to report fiscal fourth-quarter 2020 revenue (ended in March) at the upper end of its guidance, while adjusted EBITDA is likely to exceed its guidance. During its last earnings call, LSPD forecast revenue between $35 and $35.7 million in Q4 with adjusted EBITDA of -$7 million.

Lightspeed has attributed this forecast to a geographically diverse customer base and its subscription-based software business model that contributes the majority of revenue, which makes the underlying transaction volumes somewhat irrelevant. This update drove LSPD stock higher by 7.4% on April 8.

LSPD is bullish about long-term growth that will be driven by its Lightspeed Payments offering. Over 60% of new customers have subscribed to Lightspeed Payments alongside the company's core offering. There is also a strong demand from existing customers to simplify their business and save operating costs, which will result in high net retention rate and continue to drive LSPD's top-line growth for the upcoming decade.

Millennials can look to invest in growth stocks with a subscription model

In the December quarter, LSPD's subscription sales rose 58% and accounted for 88% of total revenue. A subscription-based business model helps companies reduce cyclicality in an economic downturn ensuring a stable stream of recurring revenue.

Long-term investors can consider several stocks in the tech sector that have a subscription-based business such as **Splunk**, **Microsoft**, **Alteryx**, **Okta**, and **Autodesk**, among many others.

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