TFSA Investors: Where to Invest $69,500 Right Now?

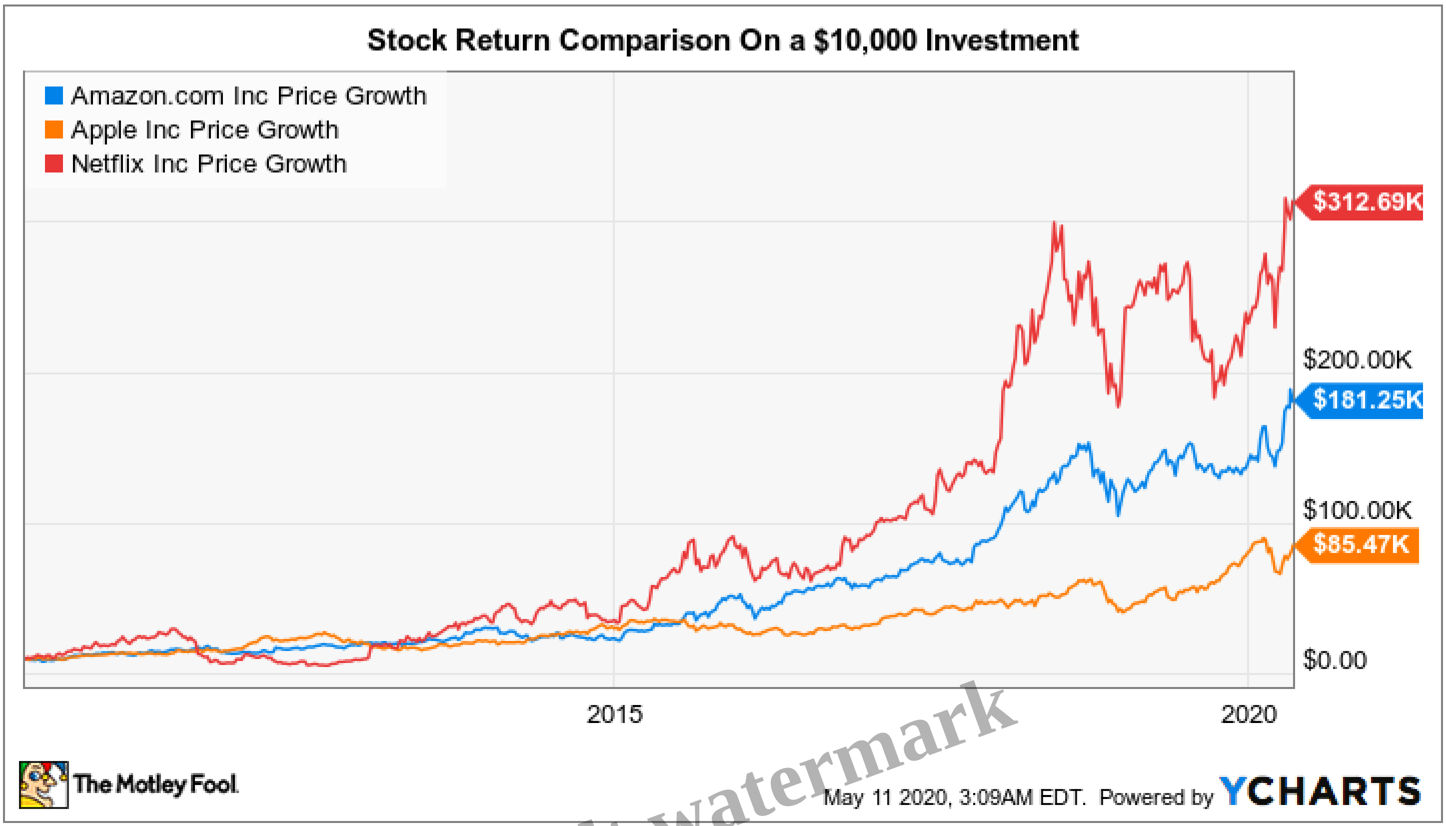
Description

The TFSA (Tax-Free Savings Account) program was introduced back in 2009. Canadians over the age of 18 with a valid social insurance number are eligible to contribute to a TFSA. While these contributions are not tax-deductible, any income earned in the form of capital gains or dividends in the account are tax-free.

The maximum contribution limit for your TFSA currently stands at $69,500. So, where do you invest this amount? The Canadian government has slashed interest rates to boost spending in the current volatile environment. This makes investing in equities even more critical.

Growth stocks for your TFSA

In the last decade, growth stocks have created massive wealth for investors. For example, if you had invested $10,000 in **Amazon** back in May 2010, you would have returned $181,000. This figure stands at $85,000 for **Apple**,and at a staggering $312,000 for **Netflix**.



AMZN data by YCharts

While there are several growth stocks south of the border, Canadians can invest in companies like **Shopify**, **Lightspeed**, **Kinaxis,** and **Descartes**. A $10,000 investment in Shopify's IPO would have ballooned to $407,000 in just five years.

Growth stocks generally tend to trade at a premium. However, the current pullback has driven valuations of several companies lower.

Dividend stocks

We know that stock prices and dividend yields move in opposition directions to each other. This means the ongoing bear market has pushed the yields of companies higher. Canada has several dividend-paying companies. Below are a few stocks with their respective dividend yields.

- **Royal Bank of Canada**: 5.1%
- **Enbridge**: 7.3%
- **Toronto-Dominion Bank**: 5.5%
- **Pembina Pipeline**: 7.9%
- **TC Energy**: 5%
- **Telus**: 5.1%
- **BCE Inc**: 5.9%

Investing in quality dividend-paying stocks can boost your monthly income. Dividend payments can act as a secondary source of income and are generally predictable as well as secure.

If you invested a total of $69,500 in the above companies, you will generate $4,170 in annual dividends. The recent correction also provides investors with the potential to increase wealth via capital appreciation when markets rebound.

Utility stocks

In an economic recession, you need to invest in companies that will continue to generate a stable stream of cash flows. Utility companies fit this criteria as people will continue to pay their gas and electricity bills.

Due to a constant stream cash flows, utility companies also pay dividends. Below are a few top utility companies with their forward yields, which can be considered for your TFSA.

- **Fortis Inc**: 3.6%
- **Brookfield Infrastructure Partners**: 3.3%
- **Emera Inc**: 4.5%
- **Brookfield Renewable Partners**: 4.4%
- **Northland Power**: 3.9%
- **Canadian Utilities**: 5.4%
- **TransAlta Renewables**: 6.3%
- **Capital Power Corp**: 7.4%

Investing a total of $69,500 in the above companies will generate around $3,400 in annual dividends.

Passive or index investing for your TFSA

For people who do not have the time or expertise to identify individual stocks to invest in, index investing seems the best bet. Warren Buffett has been a strong proponent of index investing. For Canadians, the **iShares S&P/TSX 60 Index ETF** has exposure to the largest companies in the country. The ETF also has a forward yield of 3%, making it attractive for income investors.

Your investment strategy depends on a lot of things, including risk appetite, age, and long-term goals. However, investors should keep in mind that in the long term, few investment options have managed to consistently outperform public equities.

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