
TFSA Investors: 1 TSX Stock to Buy Right Now With $6,000

### Description

Discerned investors have been playing it tactfully and buying high-quality stocks this year. They know and well understand that some of the **TSX** stocks are trading at a discount and must be grabbed for the long term.



These are not easy times. Stock picking has become all the more difficult amid the COVID-19 crash. However, along with picking the right stocks, it's even more important that one should not expose oneself to unnecessary risks.

## Tax-Free Savings Account

Canadians have some of the best tax-efficient investment tools in the form of Tax-Free Savings Account (TFSA). It is useful to create a retirement reserve over the long term without any tax obligation to the Canada Revenue Agency.

Any income generated from the TFSA, whether it be a dividend or a stock appreciation, will be tax exempt throughout the holding period and even at withdrawal. Investors also do not need to pay any charges to withdraw from the TFSA. The TFSA is beneficial for long-term investors, and frequent trading could be taxable.

The TFSA contribution limit for 2020 is $6,000. The TFSA has been around since 2009, and the contribution room keeps increasing every year. If you have not used it until now, the total contribution you can make comes in at $69,500.

The tax dollars that one will save with the TFSA can further be invested to achieve long-term goals. Notably, investors will reap significant benefits with the compounding effect of the tax savings over the long term.

If an investor in their early 30s invests $69,500 in a TSX stock that can deliver a consistent return of say 10% for the next 30 years, they will generate a decent $1.2 million for their retirement using the TFSA without any tax liability. However, it would be advisable to put this contribution in more than one stock in order to diversify.

## Top TSX stocks: Stable earnings and dividends

There are few TSX stocks that can deliver consistent returns for such a long period. One such stock that's still undervalued and is attractive for the long term is **TC Energy** (TSX:TRP)(NYSE:TRP).

TC Energy is a pipeline company and does not have direct exposure to volatile oil and gas prices. Apart from the energy midstream, the company is involved in power generation as well. That's why it has stable cash flows that enable stable dividends, unlike other energy companies. Interestingly, it has increased dividends for the last 20 consecutive years.

TC Energy offers a dividend yield of 5%, higher than that of the TSX stocks at large. The company has a low-risk, fixed-fee business model that offers earnings visibility which offers more clarity to investors. The company expects to increase dividends by around 10% through next year.

While many Canadian energy bigwigs are reeling under pressure and reported a loss in the first quarter, TC Energy reported steady earnings growth during this period.

TC Energy plans to invest $18 billion over the next three years in capital projects. This should expand its pipeline network which will further increase its connectivity to key markets.

TC Energy stock delivered around 11% returns in the last 10 years with dividends reinvested. Though it looks unexciting compared to top tech TSX growth stocks, TC Energy's consistent returns will create a significant fortune over a longer period.



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