Never Mind the CRA: 2 Strong TSX Stocks for a TFSA

Description

Many Canadians don't make full use of their Tax-Free Savings Accounts (TFSAs). But this is a great way to accrue some extra money during one of the darkest periods of economic history. Some analysts have announced that a recession is already underway. It seems a good time to review the options, then. So, here they are: two top Canadian stocks, representing two distinct investment strategies. Let's see which one is the strongest play for the TFSA investor.

The slow-and-steady option for passive income

OAS investors are particularly at risk from CRA clawbacks. This is where TFSA investing comes in. By shifting a portion of one's investments to a TFSA, an investor can keep hold of more of their savings. However, an investor should also factor in their financial horizons. Some stocks generate wealth faster than others. Banks can provide upfront dividends, for instance, while tech stocks can see steep capital gains.

Banks belong in every Canadian's stock portfolio. But some names are stronger than others. Banks have their cyclical side, and as such are strongly correlated with the economy. This can make for a certain amount of risk, especially when the stock markets are awash with recessionary stressors. From bad loans and high household debt to a general reversal of growth, the scene is set for a correction among the Big Five.

One Bay Street favourite that could go the distance, though, is **Scotiabank**. It has risks of its own, such as its exposure to the Canadian housing market, and the potential for economic stress in Latin America. But that international access is also one of the strengths of Scotiabank, which is one of the most significant moneylenders in the Pacific Alliance. Growth from emerging markets helps feed a plump 7% dividend yield.

The capital gains stock for long-term viability

It's hard to look for growth stocks without stumbling upon the tech sector. But some investors find tech stocks baffling. The trick here is to see these names not just as tickers but as real-world companies. Take **Kinaxis** (TSX:KXS), for instance. Kinaxis is a rare momentum stock that has recently shown positive action on the market *after* posting earnings — not just in anticipation of them.

What makes Kinaxis such a strong buy for a TFSA? The reasons to get invested are compelling and include near-term wealth creation. The emerging defensiveness of supply chain automation is another major pull here. Kinaxis is a market leader in cloud-based supply and demand planning and analysis. Selling at $157 a share, Kinaxis is priced about right, although a P/B ratio of 12 further indicates overvaluation.

That price tag may not appeal to the casual, low-cost investor. However, tech fans in the retirement bracket looking for steep appreciation should note that Kinaxis now trades at $100 above its 52-week low. More upside could therefore be on the way. Indeed, this supply chain name could go all the way to $200 in a relatively short time period.

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