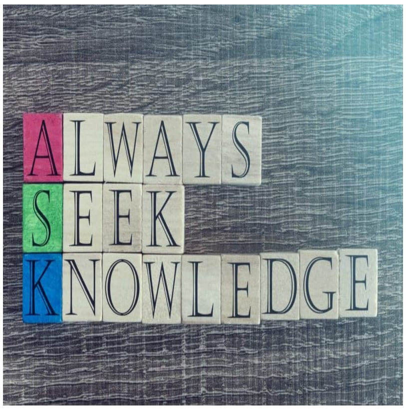

The Best TFSA Investments on the TSX in 2020

Description

The best Tax-Free Savings Account (TFSA) investments on the **TSX** in 2020 are stocks, which have historically delivered the best returns in the long run amongst all asset classes.

Just remember that most profits and income in TFSAs are tax free, but there are exceptions.

The big question — which TSX stocks are the best to invest in 2020?

Value investing is a wonderful strategy for most investors. Essentially, you aim to buy businesses at significant discounts to what they're worth. If you combine that with dividend investing, it's even better. You get paid to wait for these assets to appreciate.

Why this high-growth dividend stock is a top pick for 2020

A business that I plan to own for the long term is **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM). Here's why it's an excellent investment.

It is a global alternative asset manager across real estate, infrastructure, renewable power, private equity, and credit. So, it's diversified in terms of asset type and geography.

Brookfield Asset Management's interests are well aligned with shareholders' because it owns large stakes in its various businesses and earns hefty, growing fees — management fees and performance-based income — as the manager.

It has the expertise to optimize operations of the businesses it acquires, which results in improved returns. BAM's value-investing nature also helps maximize long-term returns, including employing an ongoing capital recycling plan in its subsidiaries.

From the various businesses, Brookfield Asset Management generates substantial cash flows because its assets are long-life cash cows. Specifically, **Brookfield Property Partners**, **Brookfield Infrastructure Partners**, and **Brookfield Renewable Partners** offer yields of about 12.9%, 4.8%, and

4.1%, respectively, at writing.

So, it's very common for investors to gravitate toward its higher-yielding subsidiaries if they seek income.

BAM's track record

From a trough during the last financial crisis in 2009, BAM has delivered annualized returns of 18.8% on the TSX.

Ardent investors should note that the growth stock currently trades at a low, which could very well be a trough in hindsight.

The TSX stock value is shaved by about 28% from $60 per share in February to about $43 today. Now's a great opportunity to accumulate BAM shares for long-term growth.

In merely three years, BAM has more than doubled its fee-bearing capital (which is more than half of its assets under management) to US$264 billion. For the record, its acquisition of Oaktree helped tremendously.

During the period, BAM's fee-related earnings increased by 86%, while its cash available for distribution and or reinvestment increased by 53%.

Therefore, it was also able to healthily increase its dividend by 28.6% in the past three years. The yield is only 1.5% today, but investors can expect it to grow at about 10% per year in the long run!

BAM also earns gains from its private funds when investors receive a predetermined minimum return. These gains are accumulated as carried interest that's typically paid to BAM toward the end of the life of a fund after the capital is returned to investors.

These accumulated unrealized carried interest has nearly tripled to more than US$3 billion in three years!

The Foolish takeaway

The 28% drop in BAM shares is a once in a blue moon opportunity to build your stake in the global growth stock. The last time it had a similar drop was 12 years ago!

Currently, the 12-month average analyst price target suggests BAM stock has 27% near-term upside. However, long-term investors can be confident that it has much more room to run.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

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2. TSX:BN (Brookfield)

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