Investing $3,000 in These Top Stocks Is a Smart Move for Your TFSA

Description

The Tax-Free Savings Account (TFSA) limit is set to $6,000 for 2020. So, if you haven't maxed out and have room for $3,000, investing in these top TSX stocks could be a smart move. These TSX stocks continue to perform well and have tailwinds to outgrow the broader markets over time and generate stellar tax-free gains.

Cargojet

Cargojet (TSX:CJT) is a top airline stock and has the potential to rise 10 times in 10 years. Investors need to know that Cargojet's performance is not related to passenger volumes, which is why its stock is up over 50% this year, while shares of **Air Canada** have plunged over 65%.

Higher oil prices hardly have an impact on its profitability as it recovers increased costs through fuel charges. The company provides critical and on-time air cargo services and continues to enjoy steady demand, irrespective of challenges plaguing the airline industry.

Cargojet has retained all of its major customers over the past several years and has steadily increased capacity, network, fleet size, and staff. Further, the addition of new customers and higher demand from e-commerce companies should accelerate its growth.

Its revenues are growing nicely over several quarters. Meanwhile, its EBITDAR margins have continued to expand, thanks to its ability to drive revenues and optimize costs.

Cargojet's resilient business, growing demand for its services, prudent cost-control measures, and strong cash flows provide a solid base for a big bull run over the next decade.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) stock is a multi-bagger and is the top TSX stock when it comes to multiplying the value of your investment. The company's growing merchant base, rising e-commerce activities, and partnerships with industry leaders provide a solid underpinning for stellar growth in the coming years.

Its revenues are growing at an astounding rate over the past several years. Meanwhile, the rate of growth in its adjusted operating costs is lower than its top-line growth rate, which is an encouraging sign.

The coronavirus is pushing a significant number of retailers and small- and medium-sized businesses to shift to online. The transition to online has created a long-term tailwind for Shopify, which should drive traffic, expand its market share, and support its high-margin products.

Though the stock is volatile, it should do pretty well in the long term and is a must-have in your TFSA portfolio.

Royal Bank of Canada

The Canadian banking major is among the top TSX stocks to buy and hold for decades. **Royal Bank of Canada's** (TSX:RY)(NYSE:RY) ability to drive its loan portfolio and deposits growth should continue to support its stock, even amid a low interest rate environment.

Investors shouldn't be scared of the high provisions in the short term, as the bank is well capitalized, has low exposure to vulnerable sectors, and has managed to improve its efficiency ratio.

Royal Bank of Canada's long-term growth prospects remain intact. Further, volume growth should support its net interest income. Its dividends have steadily grown and currently offer a healthy annual yield of 4.5%.

While the low interest rate and competitive pricing are likely to hurt the majority of banks, Royal Bank of Canada should continue to outperform peers, thanks to its industry-leading position and ability to drive volumes.

Bottom line

The TFSA is a top investment vehicle to build wealth in the long term. Holding cash in it is not a smart move. Consistently investing in the above TSX stocks could help you grow your savings significantly.

CATEGORY

1. Bank Stocks
2. Coronavirus
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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:CJT (Cargojet Inc.)

4. TSX:RY (Royal Bank of Canada)
5. TSX:SHOP (Shopify Inc.)

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