2 TFSA Stocks With 30% Upside This Year

Description

If you have a TFSA, congratulations. These accounts are the best way to build long-term wealth. They permanently shield you from taxes of any kind.

Just know that not all stocks are a fit. If you want to maximize your tax advantages, be sure to pick the right companies.

The biggest takeaway is to focus on long-term performers. These businesses are the best way to harness the power of compound interest. The *longer* your money compounds, the *faster* it grows. That's why you want to find companies that can perform well today and for years to come.

If you're looking for TFSA stocks that can rise in 2020 and continue to rise for several decades, the two picks below are for you.

Trust the master

Fairfax Financial (TSX:FFH) is a stock that rarely goes on sale. That's because it's one of the best long-term performers in Canadian history. Since 1986, shares have risen by 15% annually. You could have become a TFSA millionaire by investing a few thousand dollars.

What was the cause of this success? In a way, it all comes back to Warren Buffett.

Prem Watsa, the founder and CEO of Fairfax, is often called the Warren Buffett of Canada. That's because his company uses the same time-tested approach. The business consists of insurance entities that generate daily cash flow. Watsa invests this cash at a profit for shareholders.

Like Buffett, Watsa only cares about the long run. He's willing to underperform the market for long stretches, as long as he knows he'll come out on top at the end. This strategy is a perfect fit for TFSA holders, but it sometimes causes the stock to become mispriced.

Right now, Fairfax stock trades at a 30% *discount* to book value. A simple reversion to the mean would mean substantial upside this year. Watsa agrees that shares are cheap, recently enacting large share repurchases.

Fairfax is a rare long-term winner priced at a short-term discount.

Own this TFSA monopoly

Monopolies are fantastic long-term bets. Due to their market power, they don't go on sale often. **Enbridge** (TSX:ENB)(NYSE:ENB) is a notable exception.

Enbridge is the largest pipeline owner in North America. Its market size is around $90 billion, dwarfing most of the competition.

In this industry, scale is everything. That's because there isn't a lot of pipeline capacity to go around. The infrastructure is costly to construct and can take a decade to bring online. Only those with deep pockets can play this game.

Limited industry supply means limited competition for Enbridge. It uses this to its advantage, forcing customers to sign long-term contracts at fixed prices, insulating itself from commodity price fluctuations.

This pricing power has made Enbridge a top TFSA stock for more than two decades. Right now, you can get shares at a discount due to the coronavirus. Oil prices remain volatile due to uncertain demand, but as we mentioned, Enbridge is largely insulated from this.

Now priced with a 7.5% dividend, despite a multi-decade history of double-digit annual growth, TFSA holders should strongly consider this stock.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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