TFSA Investors: Why You Can't Risk Losing Money

Description

The Tax-free Savings Account (TFSA) is undeniably one of the best investment vehicles to create wealth in the long term. After all, investments that have compounded over the years are tax-free, making a massive difference to your returns.

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While TFSA is a great tool to turn savings into wealth, having bad investments in it can cost you dearly. For instance, losses on your TFSA investments are not considered as a withdrawal, and thus you lose your contribution room.

Imagine you invested $6,000 in stocks through your TFSA. At the time of withdrawal, if the market value of these stocks declines to $2,000, you incur a loss of $4,000 and also lose your TFSA contribution room by the same amount.

Moreover, as the dividends, capital gains, and interests earned in a TFSA are not taxable, you cannot use these losses to offset your other income. Thus, it's prudent to invest wisely through your TFSA and not use it for speculative bets.

As you can't risk losing money from your TFSA investment portfolio, here are my top two suggestions that have been consistently performing well and could continue to generate healthy returns.

Cargojet

Cargojet (TSX:CJT) stock has consistently made its investors rich by generating incredible returns. Its stock is up over 690% in five years as compared to about 18% growth in the **S&P/TSX 60 Index**. Moreover, Cargojet stock is up over 76% this year, outperforming the benchmark index by a wide margin.

The consistent demand for air cargo, both in the domestic and international markets, continues to drive its revenues and adjusted EBITDA and, in turn, its stock. Investors should note that Cargojet's revenues and adjusted EBITDA have grown at a CAGR of about 14% and 44%, respectively, between 2015 to 2019. Meanwhile, its growth is likely to accelerate further in 2020, as the company is witnessing a surge in demand from e-commerce and healthcare segments.

Cargojet's strong customer base, high retention rate, operational efficiencies, expansion of the network, and favourable industry trends are likely to support the upside in its stock.

Kinaxis

Similar to Cargojet, **Kinaxis** (TSX:KXS) stock also has a long history of consistently generating strong returns. Its stock is up about 93% year to date. Moreover, it has increased by nearly 463% in five years.

The sustained demand for its cloud-based supply-chain management software, the scope for expansion through acquisitions, and strong operational performance continue to drive its stock higher. Kinaxis generates high recurring revenues that are growing at a breakneck pace, thanks to the addition of new customers and a high retention rate.

In the most recent quarter, Kinaxis's revenues surged about 45%. Meanwhile, its adjusted EBITDA increased by 92%. Cash flow from operating activities also stood strong, rising nearly 252% year over year.

In the most recent quarter, the company reported an order backlog of US$344.9 million, up 47% year over year. The stellar growth in backlog provides a strong underpinning for growth in 2020 and beyond. Besides, its robust backlog and sales pipeline indicate that Kinaxis is likely to report strong financial results in the coming years. Also, its recent acquisitions of Prana and Rubikloud should accelerate its growth further.

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Bottom line

Both these TSX stocks have consistently performed well over the past several years and have the potential to sustain the momentum in the coming years. Thanks to their resilient business and ample scope for growth, both these stocks are a must-have in your TFSA portfolio to generate consistent profits.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:KXS (Kinaxis Inc.)

PARTNER-FEEDS

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