



TFSA Investors: 2 Stocks I'd Buy Right Now

Description

There's never been a better time to invest with a Tax-Free Savings Account (TFSA). These accounts *permanently* shield your capital from taxes. Whether you profit from dividends or capital gains, your money is [protected](#).

Due to the coronavirus pandemic, there are two stocks in particular that are perfectly suited for a tax-free investing strategy. One delivers huge dividend payments, the other generates huge [growth](#).

If I had fresh capital to invest in a TFSA, here's where I'd look.

Get giant dividends

Enbridge Inc ([TSX:ENB](#))([NYSE:ENB](#)) is a dividend giant. The stock currently yields 7.5%. This is nothing new. The company has raised the dividend every year since 1995. Annual dividend growth averaged roughly 11%. Last year, the payout was bumped by another 10%.

With a TFSA, all of these dividends are tax free. But this stock is more than just dividends. Over the past 25 years, shares have increased by 1,180%, nearly *double* the return of the **SPDR S&P 500 ETF Trust**.

What makes Enbridge such a profitable stock? As the largest pipeline operator in North America, the company has a near-monopoly over its customers.

If fossil fuel companies want to transport their output, they often have no alternative to using Enbridge. This gives the company huge pricing power. For example, the company charges its customers on volumes, not commodity prices. So even if oil prices gyrate, profits remain the same.

Plus, the company locks customers into long-term contracts, sometimes spanning a decade in length. With volume-based contracts in place years in advance, Enbridge is a pillar of reliability.

The best part is that shares are currently on sale. The COVID-19 dampened oil demand, forcing

Enbridge shares down to a seven-year low. If you want big dividends with long-term upside for your TFSA portfolio, this is your stock.

TFSA millionaires unite

Constellation Software Inc. ([TSX:CSU](#)) is a TFSA millionaire-maker stock. In 2016, shares were priced at \$20. Today, they're above \$1,500. A \$10,000 investment would have become \$750,000!

What makes Constellation so special? Similar to Enbridge, the strength is built directly into how the company does business.

As its name suggests, Constellation is in the software business, but you likely haven't ever heard of the company's products. That's because they're not meant for mass market use. Rather, the company's solutions are hyper-niche, often serving a single industry or use case.

The company has a simple strategy. It looks for undervalued software products that don't get a lot of attention. Then the company acquires these small businesses, plugging the solution into its broader portfolio, giving it greater pricing power and a lower cost structure. Sometimes, Constellation can earn its money back from an acquisition in a single year.

The trick to successful TFSA investing is to allow your money to grow for as long as possible. With compound interest, the *longer* your capital is invested, the *faster* it grows.

Constellation has allowed investors to compound their investment for nearly two decades straight. While its fastest days of growth are likely over, this under-the-radar stock can still generate impressive TFSA returns. Shares are up nearly 25% thus far in 2020.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:ENB (Enbridge Inc.)

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