



Investor Guide: How to Turn Your \$6,000 TFSA Contribution Into \$18,000

Description

A disciplined investment can go a long way. It can help you in an emergency and even allow you to retire early. The government allows every Canadian to save up to \$5,000 a year in TFSA. This year, it increased the maximum [contribution limit to \\$6,000](#).

Contribute \$6,000 in your TFSA

This year, many Canadians lost their jobs because of COVID-19. But the Canada Revenue Agency (CRA) came to the rescue and offered the \$2,000 Canada Emergency Response Benefit (CERB) every month for seven months. If you managed to save \$400 every month from this benefit, you would have \$2,800 saved up. Moreover, the CRA gave out an extra \$440 in the [Goods and Service Tax \(GST\)](#) credit to its taxpayers, increasing the GST credit to \$880.

More than half of your TFSA contribution can come from the above CRA benefits. If you are back to work, you can save \$2,500 and meet your TFSA contribution limit for 2020. Investing in the TFSA doesn't give you any tax benefit for that year, but it lets your investment grow tax-free and even excludes your future withdrawals from taxable income.

Convert your \$6,000 TFSA contribution into \$18,000

Now that you have put \$6,000 in your TFSA, the next step is to identify investment opportunities that can double or triple your money in the mid-term. The stock market offers some good growth stocks that can deliver such returns. Two stocks can convert your \$6,000 into \$18,000 in five to six years.

However, with high returns come high risks. A good way to reduce risk is to diversify your money. If one stock doesn't perform well, the other will compensate for it.

Descartes Systems

Descartes Systems ([TSX:DSG](#))([NASDAQ:DSGX](#)) is Canada's largest

Descartes also caters to different modes of transportation, such as air, water, road, and rail. Customers can either take end-to-end supply chain solutions or take a particular service like e-commerce shipping and fulfillment, transportation management, and customs and regulatory compliance. Such diversification at every step has helped it increase its revenue at a 12% CAGR between fiscal 2016 and 2020.

During the pandemic, weakness in airlines and the retail sector was more than offset by a significant surge in e-commerce orders. Descartes stock has surged over 30% this year and has delivered positive returns in the last five years. If you had invested \$3,000 in this stock in January 2015, you would now have \$13,000 in your TFSA.

Constellation Software

Constellation Software ([TSX:CSU](#)) operates like a private equity firm which earns through acquisitions. It targets small companies that offer mission-critical software to niche verticals and have limited competition and stable cash flows. Since 1995, it has acquired over 260 companies and expanded its business in more than 100 geographies.

Even during the pandemic, it acquired Netherlands-based Topicus.com that could add €100 million to its annual revenue. In the last five years, Constellation has increased its revenue and adjusted EBITDA at an average annual rate of 14% and 11%, respectively. This growth has given more than 300% returns to shareholders. If you had invested \$3,000 in this stock in January 2015, you would now have \$13,500 in your TFSA.

Constellation will continue to grow its earnings through acquisitions. The stock surged over 20% this year and has the potential to double or even triple in five to seven years.

TFSA investor guide

You can invest \$3,000 in each of the two stocks and see your TFSA grow to \$18,000 by 2026. And this money will not be taxed.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)

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Date

2025/08/24

Date Created

2020/08/24

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