



TFSA Investors: Earn \$2,500 in TAX-FREE Income With These Top Stocks!

Description

The Tax-Free Savings Account (TFSA) may be one of Canada's most under-utilized tools for building wealth. If you think about it, the best way to grow your wealth is by compounding/reinvesting all your investment returns (income and capitals gains) and paying zero tax. In any normal circumstance, this would be illegal. However, many Canadians don't realize that the TFSA enables them to maximize the power of compounding wealth.

Many Canadians aren't using their TFSA properly

In fact, [polls](#) have indicated that more than 40% of Canadians only use their TFSA as a savings account. The problem is, with a market-leading savings interest rate of 1.5%, it would still take you at minimum of 46 years to double your investment. I don't know about you, but I don't have that kind of time. Your interest earned would be so minor that you won't really maximize the tax-free capabilities of a TFSA.

So, if you really want to build compounding wealth, I recommend putting your TFSA cash to work in solid, dividend-growth stocks. Today, I have two perfect TFSA stocks. If you put \$25,000 into each of these stocks you could potentially earn an average annual income of \$2,475 in dividend alone! Compound that with some serious potential for cash flow/capital gains growth, and you have [a realistic path to building lasting wealth](#).

Build your TFSA wealth with this infrastructure stock

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) is an ideal TFSA stock to own. It has a diversified portfolio of infrastructure assets that include pipelines, electric transmission lines, various utilities, railroads, toll roads, and cellular/data infrastructure.

The beauty of these assets is that they are essential to the function of the global economy. Consequently, cash flows are highly contracted/regulated, and earnings are very stable and predictable. As a result, BIP pays a well-covered 4% dividend. It has grown that dividend by a CAGR of

11% since 2009!

Brookfield is legendary for buying assets at distressed prices, and then turning them around into cash flow machines. It did this in the 2009 financial crisis, and I believe it will do the same out of the COVID-19 pandemic crisis. Presently, BIP has \$4.3 billion of dry powder available to deploy. While investors may need to be patient, I think they will be very happy. This TFSA stock should enjoy years of dividend growth and compounding returns, as it invests in accretive projects and acquisitions.

This utility is compounding returns, and it's cheap!

Another solid TFSA stock to hold is **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). It owns North America's largest natural gas transportation network, a Canada-U.S. liquids pipeline (Keystone), and various power production assets. Just like BIP, its assets are essential in nature and are imperative for moving energy across North America.

I particularly like the stock because of its focus on natural gas. Natural gas is an important fuel for heating/cooling people's homes as well as generating electricity. This means demand isn't going anywhere; if it does need to go somewhere, it goes through TC's transport assets. TC generates 95% of its EBITDA from regulated or take-or-pay contracts, so most of its income is predictable.

The stock presently pays an attractive 5.8% dividend yield. However, it is investing in a \$38 billion capital plan that should accrete compounded annual dividend growth of 8-11% in 2021 and 5-7% beyond that. TC has grown its dividend by a CAGR of 7% since 2000. I don't see why management couldn't achieve its target into the future. Despite such stable growth, the stock is cheap (a price to earnings of only 12 times), and TFSA investors should take advantage here.

The bottom line

While I would generally recommend a more diversified portfolio, I wanted to demonstrate that you can lock in some attractive income and potential for long-term gains now! Forget using a TFSA as a savings account. Truly maximize the eighth wonder of the world (compounding returns) and build lasting wealth by buying these TFSA stocks today!

CATEGORY

1. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:TRP (Tc Energy)

3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:TRP (TC Energy Corporation)

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Author

robbybrown

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