Got $6,000 to Invest in a TFSA? Here's How to Turn it Into $116,000

Description

The stock market rally after the market crash in March caught most investors by surprise. TFSA investors sitting on cash are now wondering which stocks might be the best picks for a buy-and-hold portfolio.

Despite the overall recovery in the **TSX Index**, many top dividend stocks still trade at cheap prices and now provide above-average yields. This is important for investors who want to use the power of compounding to build a substantial TFSA retirement fund.

Is Bank of Nova Scotia a good TFSA investment?

Market corrections usually turn out to be great opportunities to buy the Canadian banks. At the moment, **Bank of Nova Scotia** (TSX:BNS) (NYSE:BNS) is the cheapest.

The stock trades at less than 10 times earnings. The other members of the Big Five banks all trade at multiples that are closer to 12.

Bank of Nova Scotia faces some near-term risks with its international division. This is likely the reason for the discount, but the spread looks overdone.

Bank of Nova Scotia invested heavily in recent years to build a large presence in Mexico, Colombia, Peru, and Chile. Latin America continues to struggle with the pandemic, and these countries rely heavily on strong markets for oil and copper to support their economies.

Once vaccines becomes widely available and the global economy ramps up its recovery, things should improve for Bank of Nova Scotia's international business.

In the meantime, the bank remains very profitable overall, and the dividend should be safe. Investors who buy the stock inside their TFSA today can pick up a 6.4% yield.

Long-term investors have done well with the stock. A $6,000 investment in Bank of Nova Scotia just 25 years ago would be worth about $116,000 today with the dividends reinvest.

Should you buy BCE for your TFSA today?

BCE (TSX:BCE)(NYSE:BCE) is a great TFSA pick for investors who want reliable and steady dividends from a stock that isn't heavily impacted by global financial turbulence.

The company enjoys a wide competitive moat in the Canadian communications sector. Its world-class wireless and wireline network infrastructure provides mobile, internet, and TV services to million of Canadian homes and businesses. BCE invests the capital needed to maintain its leadership position and should benefit in the coming years from the expansion of 5G.

The stock trades near $55 per share compared to $65 before the pandemic. At the time of writing, the dividend offers a solid 6% yield.

Low interest rates benefit BCE in a few ways. First, they reduce the cost of borrowing to fund capital programs. This potentially frees up more cash for investors. In addition, low interest rates tend to drive yield-seeking funds into safe telecom and utility stocks.

Revenue and free cash flow growth normally support steady annual dividend increases in the 5% range. The current environment might result in a pause, but the medium-term outlook should be positive.

The bottom line

Bank of Nova Scotia and BCE are leaders in their respective industries. The stocks appear oversold right now and provide above-average dividend yields that should be safe.

If you have some cash available to invest in your TFSA, Bank of Nova Scotia and BCE deserve to be on your radar today.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider

2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/05
Date Created
2020/10/12
Author
aswalker