



Got \$6,000 to Invest in Your TFSA? Turn it Into \$150,000

Description

The Tax-Free Savings Account (TFSA) is a flexible and useful tool that can be leveraged by Canadians to build a savings fund.

How to invest in a TFSA

The TFSA was introduced in 2009 to provide Canadians with another option to help them save and invest. This savings account has an annual contribution limit which is \$6,000 for 2020, while the cumulative contribution room is \$69,500.

As the name suggests, Canadians can withdraw funds from the TFSA without paying taxes to the Canada Revenue Agency. Although the contributions to the TFSA are not exempted from taxes; any dividends, interests, or capital gains generated here can be withdrawn tax-free.

Investors contribute to the TFSA with their after-tax income and the account allows you to invest in a variety of options including GICs, mutual funds, stocks, bonds, and ETFs. In case you are young and have a large risk appetite, this registered account can be used to buy growth stocks that can increase your wealth exponentially.

Let's look at two such growth companies that you can add to your TFSA in case you have \$6,000 to invest right now.

Shopify remains a top stock to buy

When it comes to growth stocks, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is a company that is hard to ignore. Shopify went public in May 2015 and has returned over 6,000% to shareholders since then.

While investors will be concerned over the stock's lofty valuations, Shopify's market-thumping returns have been supported by robust revenue and earnings growth. The company has increased its sales from US\$389 million in 2016 to US\$1.57 billion in 2019. In the last 12-months, it reported revenue of

US\$2.08 billion.

In the second quarter of 2020, Shopify [sales rose by an impressive](#) 97% as the pandemic shifted shopping trends drastically. The e-commerce segment accounted for 16% of total retail sales in Q2, up from just 11% in Q4 of 2019. The gross merchandise volume on Shopify's platform rose 119% year-over-year in Q2.

As the COVID-19 pandemic has acted as a major tailwind for Shopify and other e-commerce peers, the company continues to outpace analysts' estimates. While Wall Street expected the company to report earnings of US\$0.01 in Q2, Shopify's ended the quarter with EPS of US\$1.05.

A SaaS giant for your TFSA

Another top Canadian growth stock for your TFSA is **Constellation Software** ([TSX:CSU](#)). This tech heavyweight [has a unique business model](#) where it acquires profitable and fast-growing tech companies that provide niche services to enterprises in the private and public sectors.

This model has helped Constellation Software increase revenue from \$2.12 billion in 2016 to \$3.48 billion in 2019, while its annual earnings growth stands at 16.8% in the last five years. CSU stock has returned 3,500% in the last decade and remains one of the top-performing companies on the TSX.

Constellation Software owns a portfolio of 260 companies that serve 100 industry verticals. These companies provide mission-critical services to enterprises which results in very high switching costs and a strong customer retention rate.

In the first two quarters, CSU revenue was up 13% at \$1.88 billion and the company also generated close to \$600 million in operating cash flow.

The Foolish takeaway

If you invested \$3,000 each in Shopify and CSU stock five years back, the cumulative returns would have ballooned to \$110,000. Further, a \$6,000 investment in Constellation Software stock 10 years back would have returned \$214,000 today. Alternatively, if you invested \$6,000 in Shopify's IPO you would be sitting on \$390,000 today.

We can see how keeping a long-term view on growth stocks can turn small investments into significant savings and can easily accelerate your retirement by a few years. Investing requires strategy and patience. But above all, it requires the ability to identify quality stocks that will outperform the broader market and multiply your wealth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)

2. TSX:CSU (Constellation Software Inc.)
3. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

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Date

2025/09/10

Date Created

2020/10/15

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