TFSA Investors: Turn $69,500 Into a $2 Million Reserve — and Pay Zero Taxes to the CRA

Description

The Tax-Free Savings Account (TFSA) is unarguably one of the best instruments for long-term investors. It not only saves our tax dollars but also provides withdrawal flexibility. This year the contribution limit into your TFSA account is $6,000. If you have never deposited any money in your TFSA, you can put in $69,500 in 2020.

But is it the right time to throw in fresh money in stocks right now?

Interestingly, the Canadian market has a few suitable options for long-term investments.

Cargojet: A classic growth stock for your TFSA

Consider air freight operator **Cargojet** (TSX:CJT). It is among the very few beneficiaries of the pandemic. While many companies reported sizeable revenue loss this year, Cargojet witnessed significant growth in the same period.

The stock is up almost 95% so far this year, notably beating the broader markets. Interestingly, Cargojet stock has also outperformed in the longer term. Since 2012, it has returned 3,236%, even beating some well-known growth stocks.

The $3.6 billion company mainly makes its revenues from its air cargo services between 14 major Canadian cities. It runs 29 aircraft and transports over 1.8 million pounds of time-sensitive air cargo each business night.

Cargojet could see extended growth driven by the flourishing e-commerce industry and its distinctive overnight delivery. Even post-pandemic, the changing consumer behaviour will likely continue to drive e-commerce sales, ultimately benefiting Cargojet.

Notably, Cargojet stock looks overvalued at the moment after its steep rally. However, the premium valuation is quite justified, given the growth potential and underlying fundamentals. Its scale and controlling market share in the underpenetrated, growing market make it attractive for long-term investors.

If you had invested $69,500 in Cargojet stock in 2012, you would have generated a reserve of more than $1.5 million today.

Constellation Software: A reliable, high-growth tech play

Investors can consider the top tech stock **Constellation Software** (TSX:CSU) for their long-term investments. Its consistent profitability and solid business model make it stand tall among peers.

The $32 billion software company has managed enormous growth in the last several years, mainly driven by acquisitions. Constellation Software acquires smaller tech companies with a leadership position in their respective niche markets. It caters to two segments of clients: the public and private sectors.

The public sector segment develops and distributes software services to government and government-related customers, while the private segment includes commercial customers.

Constellation Software stock is up almost 20% so far in 2020. In the last ten years, it has returned 4,684%, absolutely thrashing the **TSX Index**.

If one had invested $69,500 in CSU a decade back, they would have piled up $2.5 million today.

High-growth stocks are generally perceived as extremely risky. However, it is not advisable to totally shun them because of the risk. Many growth stocks are worth the risk.

Investors should identify more of such growth stocks and put compounding to work using the TFSA. The capital gain created over the years will be tax-free throughout the holding period and even at withdrawal.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners
4. Tech Stocks

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:CSU (Constellation Software Inc.)

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