



2 Ways to Get Rich From Your 2021 TFSA Contribution

Description

2021 is coming, and it has got me thinking about my next Tax-Free Savings Account (TFSA) contribution. 2020 has most likely been a year we all wish to forget. For investors, it has been one of challenges, with fear, hype, hysteria, and learning experiences in between.

While I am sure all of us are looking forward to a slightly “calmer” year, I think 2021 holds some attractive opportunities for investors. Whether it be hope for a COVID-19 vaccine, the subsequent economic recovery, or just the general return to growth, 2021 should be an exciting year for stocks.

Time to think about your 2021 TFSA contribution

I cannot say how much the Canada Revenue Agency (CRA) will raise the TFSA contribution limit in 2021. However, [it is generally increased based on inflation](#) (in increments of \$500). This year, inflation has been relatively flat, so a similar increase of \$6,000, like in 2019, is probably warranted.

When investing in a TFSA, I generally recommend Canadian investors look for stocks with solid balance sheets, stable and growing cash flows, a strategic advantage, and favourable long-term tailwinds. Here are two TSX stock ideas that have ample opportunities to generate wealth from your 2021 TFSA contribution.

An ideal dividend stock with upside

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) is the ideal TFSA contribution stock for 2021. Like mentioned above, it is a perfect combination of safety, stability, and growth. The company operates a diverse array of essential assets like electric transmission lines, LNG processing facilities, natural gas distribution lines, railroads, and data centres/cell towers.

The one thing that links all of these assets is their stable, contracted/regulated cash flows. As a result, BIP has strong downside protection. During the pandemic, it experienced very little business, operational, or financial disruption (only 1-2% of fund from operations [FFO] were impacted during the

pandemic).

Today, the stock currently yields a 5-6% adjusted FFO yield just on its current assets and operations. What is exciting is the upside opportunities. Within each of its segments, BIP has ample development, value-add, and organic rate-base growth opportunities.

Management projects annual organic growth of 6-9%. Likewise, it has a strong balance sheet and opportunities to acquire high-quality assets out this recession. Combine all that and 13-19% annual AFFO growth is not impossible! The stock also pays a great approximately 4% dividend, so your 2021 TFSA contribution earns a return no matter what!

Buy this stock for your 2021 TFSA contribution and hold it forever

Constellation Software ([TSX:CSU](#)) is another great addition for your 2021 TFSA contribution. Like all the Brookfield entities, [Constellation is a master at compounding cash flows](#). It buys small, niche software businesses, turns them into cash cows, and then repeats the cycle. Its strategy has been pretty effective. Since 2010, the stock has earned a 4,334% return for investors!

Growth may not be quite as steep as the prior decade. Yet, chances are, Constellation is going to keep doing what it does best: acquire good SaaS companies, turn them into great SaaS companies, collect the cash flows, and repeat the cycle.

The company has a strong net-cash position. There are thousands of mid-size SaaS businesses that need Constellation's scale and management expertise to rise to the next level. Given this, Constellation should have an attractive pipeline of opportunities out of the pandemic. Small business owners are strapped for cash. Consequently, Constellation makes for a great partner to provide capital.

This stock only pays a tiny dividend. Investors can expect to mainly earn capital gains, as management reinvest and compound cash flows into more business acquisitions. This tech stock is not cheap, but it isn't overly expensive either. Considering that, I think Constellation makes a perfect buy-and-hold stock for your 2021 TFSA contribution.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:CSU (Constellation Software Inc.)

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Author

robbybrown

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