CRA Can't Tax TFSA Gains: 2 Green Stocks to Stash for 20 Years

Description

The Tax-Free Savings Account (TFSA) isn't just meant for savings; it can be used to legally shield gains and investment income from the Canada Revenue Agency (CRA). With interest rates as low as they are, I'd discourage younger investors from using their TFSA to invest in those unrewarding savings accounts, as near-negligible amounts of interest aren't worth sheltering from the CRA.

Instead, younger investors like millennials should look to dividend growth stocks to buy and hold for their TFSA for decades at a time. This piece will look at two renewable energy stocks that I think can provide investors with the best of both worlds: dividends and capital appreciation.

Without further ado, let's get into the two stocks to play the future of green energy:

Northland Power

The price of admission to green energy stocks has risen considerably this year. Valuations have swollen across the board thanks in part to the euphoric aura following electric vehicle (EV) kingpin **Tesla**, which continues to defy the laws of gravity. If you're like me and want to get into the space without having to pay a hefty premium, **Northland Power** (TSX:NPI) is a name that should be near the top of your shopping list.

While the stock isn't the same steal as it used to be after surging 63% year to date, the valuation is still relatively modest compared to other overvalued green energy producers out there. The dividend yield of 2.7% has compressed as a result of substantial capital appreciation, but for TFSA users looking to buy and hold for the next 20 years, there's a heck of a lot of room for the payout to grow.

Northland doesn't have the most bountiful dividend in the space. Still, the valuation (4.3x sales and 23.4 times earnings) is compelling, given the calibre of renewable assets and growth projects you'll be getting from the name.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is one of my favourite green utility stocks out there. Not only does the firm have a front-row seat to the North American renewable energy scene, but it also has some mouth-watering water utility assets that are hard to come by on the **TSX Index**. When it comes to stability, it's tough to beat water utilities.

In essence, Algonquin has the perfect combo of stability and long-term growth. Whenever the stock dips, TFSA investors should strongly consider adding to their positions, as the firm has an incredible management team that knows how to drive value like few others in the business.

Algonquin had its fair share of stumbles amid the pandemic. As we inch closer to normalcy, I'd say Algonquin is among the green stocks that have the most room to run. The stock is cheap at 19.3 times earnings, given the magnitude of stability and long-term (dividend) growth you'll get over the long haul.

The 4% yield is just the cherry on top of an already pretty loaded sundae. And like Northland, the dividend is poised to grow at an above-average rate over time.

Foolish takeaway

So, if you're a TFSA saver who's shielding mere interest from the CRA, it's time to think about rotating some funds into today's compelling green stocks, as they're poised to increase in value substantially over the next 20 years and beyond.

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2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NPI (Northland Power Inc.)

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Date
2025/07/31
Date Created
2020/12/05
Author
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