



## Convert a \$6,000 TFSA Contribution to \$14,000 in 6 Months With This 1 Stock

### Description

Investing in the stock market is all about your choices: the stocks that you choose, how much you choose to invest, and the medium you choose to invest determines what you get. Hence, I always suggest investors make informed choices. Don't invest in a stock because it has a Buy call. Understand the risks and rewards entailed with the stock and match it with your current financial circumstances and goals. I will talk about the three choices you need to make for responsible and informed stock market investing.

### When should you choose the TFSA for investments?

If you have sorted your taxes, and one of your investment goals is not to save on taxes in the current year, then contribute through the Tax-Free Savings Account (TFSA). The Canada Revenue Agency (CRA) does not give you any tax exemption on your contributions but exempts all your investment income and withdrawals from taxes.

The CRA sets an annual contribution limit. If you contribute beyond the limit, the CRA will charge 1% tax per month on the excess amount. For 2021, the TFSA contribution limit is \$6,000, which is unchanged from 2020.

### How much should you invest?

Now that you have analyzed your financial situation and narrowed down the means of investing to a TFSA, the next thing you should consider is how much to invest. The CRA answers that question for the TFSA. But if you haven't contributed to TFSA before, the CRA allows you to contribute for past years. The TFSA began in 2009. If you were 18 years old at that time, your total contribution limit for all these years comes to \$75,500 for 2021.

As you won't get any tax benefit for the current year, I wouldn't suggest a lump sum investment. But you can probably invest \$10,000 if there is a once-in-a-lifetime investment opportunity. During the pandemic crisis, Warren Buffett hoarded cash, waiting for a stock he has confidence in.

## Which stock should you choose?

Since [June](#), I have been monitoring **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and gave multiple reasons for its potential to double your money in a year or two. Lightspeed is a high-growth software-as-a-service (SaaS) stock that has shown all the traits of becoming the next SaaS growth story.

A growing SaaS stock has a high revenue-growth rate, a growing active customer base, and a high retention rate. Many SaaS companies accelerate their growth through acquisitions, which bring them a large customer base, geographic outreach, and enhanced portfolio.

Lightspeed POS has all these traits except a high retention rate. The company provides an omnichannel platform to help retailers and restaurants manage orders, payments, marketing, inventory, and finances of multiple stores on a single platform. Even before the pandemic, Lightspeed was growing its revenue at an annual run rate of 50%. The stock grew 95% last year after it launched its initial public offering (IPO) on the Toronto Stock Exchange.

Lightspeed stock took a hit during the pandemic, as many retailers and restaurants temporarily closed their stores. Lightspeed saw a high churn rate, as many of its clients discontinued subscriptions. But it maintained its fundamentals and turned the situation around in its favour.

The effects of the turnaround were visible in early June when it reported 51% revenue growth in fiscal 2021 first quarter. If you invested your \$6,000 TFSA contribution in this high-growth stock in June, today you would have almost \$14,000 in your TFSA.

## Lightspeed stock's growth potential

Lightspeed stock has surpassed my expectations and is now trading at 35 times its sales per share. Now, the next question is, does the stock have the potential to grow further? Lightspeed stock surged 85% in just 30 days, and this growth came after the two acquisitions of [Upserve](#) and ShopKeep. These acquisitions will add US\$90 million to Lightspeed's \$120 million revenue and increase customer locations by 27,000 to over 110,000 locations.

Hence, the 85% jump in stock price will normalize when the two companies are integrated into Lightspeed. Apart from the 75% revenue jump from acquisitions, the company has its 50% organic revenue growth. This shows that the stock has ample room to grow even beyond \$76.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

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