



A TFSA Portfolio That Can Convert \$10,000 Into \$20,000

Description

Are you considering building a Tax-Free Savings Account (TFSA) portfolio? The portfolio will grow along with you. The more you learn about the stock market, the better you can invest.

The trick is to keep reading and keep learning about what's happening in the stock market. You can build a TFSA portfolio that can convert \$10,000 into \$20,000 by balancing risk and reward.

Not all stocks in your portfolio will give you positive returns, however. Divide your portfolio into short and long-term stocks. Stay invested in fundamentally strong stocks and exit stocks where you don't see the value.

Long-term stocks have a history of strong fundamentals and have a lower risk. Their revenue and cash flows are growing every year.

Stay invested in fundamentally strong stocks

Warren Buffett stayed invested in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) even when the stock lost 60% of its value in the March crash and [slashed its dividend by 55%](#). Suncor is his long-term bet as the company has strong fundamentals. Its oil business will continue to get positive cash flows for another 10 to 20 years.

Suncor is Canada's largest integrated oil company. It is present in every stage from exploration to the distribution of petroleum products and gasoline. Its stock is sensitive to oil prices.

Many oil companies went bankrupt in the six-year-long oil crisis that began in 2014 when shale gas exploration reduced oil prices from over \$100/barrel to \$40/barrel. OPEC+ managed the oil supply and brought the oil price to as high as \$70/barrel in mid-2018.

Suncor's stock surged to \$50 in mid-2018 but fell to \$40 when oil prices fell. All this while, it continued paying regular dividends as it increased its profits by reducing cost and improving efficiency.

The stock fell to \$20 in the March sell-off as the oil price fell below \$40. The company is once again reducing costs to become more efficient and earn profits even at low oil prices.

As travel returns and oil demand and oil price increases, Suncor stock price will increase, and so will its cash flow and dividends. There is a long-term risk of renewable energy and electric vehicles replacing oil in many segments. But it will take at least 20 years to make a material difference in oil demand.

Hence, buy Suncor when there is a dip and hold it for the long-term. Those who bought Suncor in the 2008 crisis, the 2011 airline crisis, and this year's pandemic crisis, got themselves a good deal.

Exit stocks with no growth potential

Unlike long-term stocks that rally on fundamentals, short-term stocks rally on investor sentiments. Jump into these stocks when they rally and exit when their rally fades.

For instance, Buffett exited airline stocks when they lost more than 70% value in the March sell-off. Airlines entered the pandemic with strong fundamentals.

But the pandemic put their balance sheets on the ventilator with no positive cash flow visible for the next five years.

I have put **Air Canada** ([TSX:AC](#)) in my short-term stock list. In my previous [article](#), I talked about how you can make a short-term gain by playing in the \$14-\$22 price range. But the vaccine update has upped the level, and the price range has increased to \$20-\$30.

AC stock is heading toward the \$30 mark, a perfect point to sell and collect your short-term gain if you purchased the stock at the \$15-\$18 price point. But mind that the stock might not stay at the \$30 price or long. So you have to act fast.

AC stock is rallying on the back of news sentiment and not fundamentals. It continues to make a loss, and it will take at least two to three years for the airline to break even.

Investor corner

Depending on your risk portfolio, divide your \$10,000 in TFSA between short and long-term stocks. If you invested \$8,000 in Suncor and \$2,000 in AC when they were trading at \$15, you would have over \$16,000 in TFSA.

This amount can grow to \$20,000 if you stay invested in Suncor and exit AC at the right time and instead look for other growth stocks like **Lightspeed POS**.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

4. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:AC (Air Canada)
3. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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