



TFSA Investors: The 3 Best Canadian Stocks to Buy in December

Description

Tax-Free Savings Account (TFSA) investors still have time to spend their \$6,000 contribution limit this year. The good news is, the [Canada Revenue Agency \(CRA\)](#) has promised to raise the TFSA contribution another \$6,000 in 2021. But if you still got \$6,000 of room to invest, why wait? You can get that money working for you and all the dividends, gains, and interest earned will be tax-free! There is no better way to compound your wealth than through the TFSA.

Here are three of [my favourite Canadian stocks](#) that I am loading into my TFSA this December.

TFSA pick one: Algonquin Power

Renewable power stocks have had a massive years. The International Energy Agency (IEA) has reported that unlike other energy fuels, demand for renewable energy will grow by at least 7% this year. As a result, renewable power producers have grown both cash flows and project development backlogs.

Most investors would probably recognize **Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) for its stable platform of water, gas and electric distribution/transmission utilities. What they may not recognize is that Algonquin is a leading owner and developer of renewable power assets. In fact, it produces over 2,000 MW of wind, solar, and hydroelectric power. It also has 1,400 MW pipeline of renewable power projects in the works.

Between its renewable and utility businesses, Algonquin is targeting a strong asset-base CAGR of 10% to 2024. That is one of the best growth rates you will find among its peers. As a result, this stock gives you the stability of a utility and the opportunity for valuation multiple growth through its renewable business. This TFSA stock pays a dividend of about 4%. The stock has been down over the past week, and I would add it on the weakness.

TFSA stock two: Enghouse Systems

Enghouse Systems ([TSX:ENGH](#)) is another ideal TFSA stock. You may not even know it, but Enghouse is one of the best-performing stocks on the TSX over the last decade. Had you bought this stock in January 2010 and held it to today, you'd have enjoyed a 1,469% return on your investment!

Its suite of software solutions has played perfectly into pandemic-related themes, like working from home and remote business operations. As a result, its revenues, adjusted EBITDA, and cash flow grew in its most recent quarter by a remarkable 30%, 62%, and 59%.

Out of the pandemic, the company has a wide array of products that will continue to help business digitize their operations. It has a strong foot in video conferencing, remote contact centre management, automated call handling, network management, network visualization, Cloud IPTV, and transportation automation. All these play well into the future. Also, right now, it has over \$200 million of net cash that it can deploy into acquisition opportunities!

The stock is down 20% from its all-time highs, and I think this is a great place to add it to your TFSA.

Tax-free stock three: European Residential REIT

European Residential REIT ([TSX:ERE.UN](#)) is a Canadian-listed and managed stock, but it is, in fact, not very Canadian at all. It is Canada's largest pure-play apartment REIT 100% focused on investing in Europe and primarily Holland.

Europe is a very attractive area to invest in residential real estate for a few reasons. Firstly, over 50% of the population have no choice but to rent, due to the lack of available free land and high density. Demand is incredibly high for the REIT's properties. Even through the pandemic, it maintained almost 99% occupancy.

Secondly, interest rates in parts of Europe are almost negative. The REIT can finance new properties and re-finance current properties at very attractive cash flow yield spreads.

Lastly, the REIT is sponsored by **Canadian Apartment REIT**. This provides a strong management platform and a solid development/acquisition pipeline. The REIT is cheap to peers, pays an attractive 3.85% dividend, and has higher-than-average growth ahead. All in all, this stock is an ideal compounder for your TFSA now!

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:ENGH (Enghouse Systems Ltd.)
4. TSX:ERE.UN (European Residential Real Estate Investment Trust)

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