WARNING: Avoid This HUGE TFSA Mistake in 2021

Description

In the fall of 2019, I'd warned Canadians against making a TFSA mistake that could cost them big over the long term. That mistake was not overcontributions or bad investments. Since the inception of the Tax-Free Savings Account (TFSA), many Canadians have opted to use it as a basic savings account. The TFSA holds potential as a terrific growth and income vehicle, but this potential is lost when cash is left to sit in the account. Unfortunately, this trend has persisted in 2020.

Many Canadians are making this TFSA mistake in 2020

Last month, I'd discussed a recent report from **Canadian Imperial Bank of Commerce**. This report showed that Canadian households and businesses were holding more than $170 billion in excess cash. Households were sitting on a whopping $90 billion.

The COVID-19 pandemic has had a devastating impact on Canadians. However, restrictions and lockdowns have also forced lifestyle changes that have led to increased savings. CIBC reported that savings rates in the report had climbed to 13.6% compared to 3.6% before the pandemic. Unfortunately, this boost in savings may go to waste if Canadians do not put their cash to work for themselves.

Today, I want to look at two stocks that are worth targeting for TFSA investors in late 2020 and early 2021. These have the potential to generate attractive growth and solid income.

Two stocks that can fit any portfolio in the new year

Jamieson Wellness (TSX:JWEL) is a Toronto-based company that develops, manufactures, distributes, sells, and markets natural health products in Canada and around the world. Its shares have climbed 37% in 2020 as of close on December 17. However, the stock is down 7.6% over the past three months.

In the third quarter, Jamieson delivered revenue growth of 19.2% to $105.6 million. Adjusted EBITDA increased 18.2% to $22.9 million. Health conscientiousness has climbed globally due to the COVID-19 pandemic. The nutrition and supplements subsector was already on a promising growth trajectory due to an aging population in the developed world. This trend may receive a boost due to the pandemic.

TFSA investors should seek out Jamieson for its long-term potential. The stock offers a quarterly dividend of $0.125 per share, representing a 1.4% yield.

For TFSA investors content with a more balanced strategy, there is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Shares of Canada's second-largest bank have climbed 3% in 2020 as of close on December 17. The stock has increased 16% over the past three months. TD Bank received a boost in the third quarter, in part due to the red-hot housing market in major metropolitan areas. Overall, it was a strong finish to a very challenging 2020. Investors should be optimistic for an improved 2021 for Canada's top banks.

Shares of TD Bank possess a favourable price-to-earnings ratio of 11 and a price-to-book value of 1.4. Like some of its peers, TD Bank boasts an immaculate balance sheet. It last paid out a quarterly dividend of $0.79 per share. That represents a solid 4.4% yield.

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