



TFSA Investing: \$10,000 in This Stock in March Is \$72,000 Now

Description

Have you made your 2021 resolution? One resolution most people will make is that of maintaining social distancing. And this resolution will be a goldmine for one stock: **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)). You might not have heard of this company before March. It was founded in 2005 and went public in March 2019. In 2019, it surged 95%, and this year it surged 135%. What led to this accelerated growth?

The 2020 growth story of Lightspeed POS stock

Lightspeed POS started as a point-of-sale (POS) platform. As the name suggests, it's the point when the sale is completed, the retailer gets the money, and you get goods or services. Lightspeed started supplying POS terminals and card readers to provide contactless payments.

Gradually, it broadened to a cloud-based commerce platform. By definition, commerce is where large-scale buying and selling happens. And being a commerce platform, it facilitates commerce operations like managing inventory, payments, purchases, and marketing of various stores. It added the element of optimization through data analytics. Retailers and restaurants were gradually adopting the tech.

Lightspeed has a subscription model. It earns money through recurring fees, which depend on the number of stores and the kind of services a merchant opts for. It also earns a commission on the transactions that take place on its platform. The company is rapidly expanding its offerings to the golf clubs and maybe other sports clubs. It is also accelerating its growth and acquiring market share through acquisitions.

In 2020, the pandemic gave wings to Lightspeed's growth. Social distancing became the new norm. Businesses had to come up with ways to open their operations in the COVID-19 economy. Lightspeed gave them just that. It added services like curbside pick-up, online booking, and online food ordering. Retailers, restaurants, and golf clubs started adopting the Lightspeed platform, as it helped them serve their customers efficiently.

Lightspeed used this opportunity and investor optimism to expand in the United States. It first launched

a U.S. IPO and then acquired two U.S.-based commerce platforms Upserve and [ShopKeep](#).

TFSA investing: How Lightspeed stock converted \$10,000 to \$72,000

People who'd bought Lightspeed stock through Tax-Free Savings Account (TFSA) at the start of the year are sitting on thousands of dollars of tax-free income. If you'd invested \$10,000 in the stock in the March market crash when it fell to \$12, you'd now have \$72,000.

If you work out the math, the price at which you purchase a growth stock determines your returns. So, the cheaper the stock, the higher is its upside potential. If you had invested in Lightspeed IPO in March 2019 at \$18 per share, your \$10,000 investment is now \$45,700. A 33%, or \$6 per share, the discount on the Lightspeed stock price converted into a \$26,300 gain.

Now, it's not possible for a human or a machine to time the market accurately, as stock prices move on investor sentiments. So, how can you maximize your returns?

A smart way of investing in Lightspeed

While Lightspeed has the potential to double or triple in the coming five years, the stock is trading at a higher valuation that limits its gains. The stock is rising on the back of Christmas shopping. It will see a correction in January end or February 2021 when the shopping fever slows.

But if you are getting impatient seeing Lightspeed stock's unprecedented rally, buy the stock from your \$10,000 in your TFSA at three different price points.

- Invest \$3,333 now to get peace with your anxiety and enjoy the Santa Claus rally of Lightspeed stock.
- Invest another \$3,333 when the stock sees some correction in the next three months. The stock fell 18% in September when the stock market corrected. A similar correction could come [in April](#).
- Invest the remaining \$3,333 if there is another stock market crash.

Regular investing helps you lower your average cost and improve your upside potential. But don't invest all your money in Lightspeed. Diversify your money in some dividend and low-risk stocks.

CATEGORY

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