



TFSA Investing: The Best \$40 Spent in 2020

Description

The year 2020, while extraordinary tough, was a different experience for everyone. Most people who complained about having less time for family spent some quality time at home. Many people gave time to their hobbies as offices relocated to the cloud. People learned to juggle work and family, putting technology to work for mundane tasks like shopping and payments. Companies learned about the benefits of virtual offices. Hence, the year was good for technology stocks. If you invested even \$40 in technology stocks, those were the best \$40 spent in 2020.

TFSA investing is a habit

Investing is a habit and not a one-time event. It is difficult to time the market accurately, as it is driven by investor sentiment. At the most, you can jump on the stock market rally and exit the market crash early by analyzing technical and financial indicators.

But a habit of regular investing can go a long way. If you invested \$400 every month in your Tax-Free Savings Account (TFSA) in technology stocks, you should pat your back. You have spent that \$400 wisely. Most people make regular contributions to TFSA either at the start or end of the month.

The best \$40 spent in 2020

At the end of March or start of April, you could get one stock of **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)), and one unit of the **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)) for \$40. That was the best \$40 spent in 2020 as these two investment instruments are worth \$133 today.

Lightspeed POS in 2020

Let's look at the case of Lightspeed POS. This company has emerged as the next **Shopify** and delivered three times more returns than the e-commerce giant. When the pandemic started,

Lightspeed stock fell 67% as it saw many retailers and restaurants cancel their subscriptions. They were right on their part as the pandemic forced them to close their physical stores. What use was Lightspeed's omnichannel platform that made it easy and efficient to manage multiple stores?

But Lightspeed turned the tables and converted its platform from a nice-to-have technology to [need-to-have technology](#). In April, it saw a 400% surge in e-commerce transactions. It adopted to the new normal of social distancing that made crowded stores a sin. To help retailers manage the crowd and still do business efficiently, Lightspeed made changes to its platform. It introduced online purchases, curbside pickup, and online order and appointment booking.

As retailers, restaurants, and [golf operators](#) saw the business outcome the Lightspeed platform brought, they upgraded their subscriptions, and more merchants entered the platform.

After nine months, Lightspeed stock has surged from \$12 at the March bottom to \$88 at the time of the writing, and it still has the potential to grow. Anyone who brought this stock at the \$14-\$18 price will be deep in the money. If you had regularly invested \$100 on the first of every month in Lightspeed since April, your \$900 would be \$1,390 now. Here, you didn't have to time the market and still got the benefit of the stock price rally and dip.

Technology ETF in 2020

In the case of the iShares S&P/TSX Capped Information Technology Index ETF, it surged 50% this year as the overall tech sector outperformed. The ETF buys and holds technology stocks for the long term. The weightage of these stocks changes as the stock price fluctuates. Shopify has the highest weightage this year as the pandemic-driven market rally made it the most valuable stock trading on the **Toronto Stock Exchange**.

By investing in this ETF, you can benefit from the price fluctuations of the top 19 Canadian tech stocks. And all this for just \$45 per unit. At the start of the year, this ETF was available for less than \$30. The ETF helps you diversify your risk, which mitigates the decline.

Investor takeaway

Looking back, Lightspeed and the XIT ETF were some of the best bets of 2020. Heading into 2021, these stocks are worth holding. But some good value stocks will be oil stocks that will benefit in the post-pandemic era.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)
3. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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Date

2025/09/27

Date Created

2020/12/28

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