



TFSA Investors: 4 Top Canadian Stocks to Own in 2021

Description

Tax-Free Savings Account (TFSA) investing is an amazing way for Canadians to build wealth over their lifetime. Contribute your after-tax savings into the account, invest it, earn returns (dividends, interest, and capital gains), pay no tax, and reinvest. It is a long-term formula for building wealth. The great news is the Canada Revenue Agency (CRA) [just raised the TFSA contribution limit](#) by an additional \$6,000.

When investing in the TFSA, I like to look for companies that have a great business strategy, smart management, a strong balance sheet, and capacity to produce [strong stable cash flow growth](#).

A must-own TFSA stock

Brookfield Asset Management (TSX:BAM-A)([NYSE:BAM](#)) is an absolute must-own TFSA stock. As one of the world's largest alternative asset managers, BAM has been gaining strong momentum in 2020. Interest rates are at all-time lows and they likely aren't going up anytime soon — a huge tailwind for BAM.

Right now, there is ample *free money* (well almost) for BAM to finance new assets and re-finance current assets. Since its assets are largely contracted cash flowing assets, it is able to lock-in very predictable high-yielding cash flow spreads into the future. BAM's clients, largely pension funds and institutions, cannot earn any returns from bonds.

Rather, its clients must seek alternatives (real estate, infrastructure, power, distressed debt, and insurance) to meet their yield targets. Hence, BAM is seeing a flood of money running to it for management.

BAM is predicting it could see its assets under management and fee-bearing capital double in five years. The company has some of the smartest managers in the world. I have no doubt they can meet or exceed these expectations.

Value to be unlocked

Telus ([TSX:T](#))([NYSE:TU](#)) is another ideal TFSA stock. While I tend not to prefer Canadian telecom stocks, I'm really starting to like Telus. It is more than just its 5% dividend yield. Unlike some peers, it has stayed away from investing in generally costly media businesses. Rather, it has invested heavily to become a leader of digital services in Canada.

Whether it be in telehealth, business services, or even agriculture, Telus is setting up for strong growth in some very attractive, high valuation sectors. Not much of this is factored into the stock price, so that makes it a great buy now!

A cash-flow growth machine

Enghouse Systems ([TSX:ENGH](#)) is a more growth-focused TFSA stock. The company had an incredible year with revenues, adjusted EBITDA, and earnings per share growth of 30%, 53%, and 37%, respectively! Yet, based on concerns about its temporary growth outlook, the stock has pulled back. I think it is a great entry point. This company has some great software products that have thrived in the pandemic.

Consequently, it is producing loads of free cash flow right now. It has over \$150 million in net cash on the balance sheet. Management is patient and has a history of making very accretive, high value acquisitions. Patient investors will be amply rewarded by holding on to this name.

A TFSA dividend giant

Last, but not least, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) should be considered for a high-yield income slot in your TFSA. Currently, it pays a whopping 8% dividend! While it operates in a bit of an unloved sector (energy) its business is very resilient. It has very limited commodity-price risk and operates as an essential toll road for the energy industry.

Enbridge is expanding its presence into renewables and gas/hydrogen infrastructure, all of which is highly discounted in the stock price right now. In a normalized world, this stock could do really well, making it one of my top TFSA stock picks for 2021.

CATEGORY

1. Dividend Stocks
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2. NYSE:ENB (Enbridge Inc.)

3. NYSE:TU (TELUS)
4. TSX:BN (Brookfield)
5. TSX:ENB (Enbridge Inc.)
6. TSX:ENGH (Enghouse Systems Ltd.)
7. TSX:T (TELUS)

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Author

robbybrown

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