TFSA Investors: 2 Top TSX Stocks to Buy in 2021

Description

Unless you're already happy with your nest egg, I think it's a waste for Canadians to use their Tax-Free Savings Account (TFSA) room to earn interests. That said, Canadians must also be willing to take on more risks and stomach greater volatility to earn larger returns from investing in stocks for a long time.

Here are some top **TSX** stocks that I think will do well in 2021.

A top TSX stock for income and value

After I took profit in **H&R REIT** (TSX:HR.UN) in late November 2020, the income stock has retreated to a more attractive level again. Moreover, its relative strength index has tapered off from overbought to neutral, which makes it a good time to start buying for investors who've been eyeing the value stock.

Its 50-day simple moving average that sits at about $11 per share at writing continues to act as a support for the diversified REIT stock.

I'd like to highlight that H&R REIT has defensive office and industrial real estate portfolios that had rent collections of close to 99% last year. Its residential portfolio was not bad either with a rent collection of approximately 96%.

Therefore, its overall results had been super resilient. From Q1-Q3, its funds from operations (FFO) per unit only dropped 5% year over year. Its forward payout ratio of about 50% makes H&R REIT a safe choice for passive income.

At about $12.30 per unit at writing, the income stock provides a yield of 5.6%. This yield more than doubles what the Canadian market offers! On a normalization of the economy through 2022, the stock can appreciate about 60%!

H&R REIT will announce its Q4 and full-year 2020 financial results on February 11. Interested investors who want to be on the safe side can wait for its 2020 results before considering buying.

Buy this top TSX stock for growth

If you're looking for long-term growth, you should consider buying **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM), a young **Berkshire Hathaway**, in your TFSA. The global alternative asset manager invests billions of dollars of its own money alongside its shareholders.

It has a track record of generating market-beating returns on its funds, such that institutional investors keep coming back for more whenever it has new rounds of flagship funds across real estate, renewable power, infrastructure, private equity, and credit.

BAM is about to expand and spin off its insurance business. With ultra-low interest rates, it's the perfect time to do so!

Since 2010, the top **TSX** growth stock has delivered compounded annualized returns of approximately 16% on the TSX.

Currently, the stock trades at a discount of roughly 20%, which is a great value for its growth potential.

Notably, other than the innate volatility that's normal in the stock, BAM stock will also fall significantly during market crashes. Therefore, it'd be a great time to add to the stock on substantial market corrections.

BAM pays a growing dividend that can increase by about 10% a year in the long run. It starts you off with a yield of approximately 1.2% today.

The Foolish takeaway

If you have an investment horizon of at least three to five years, you should consider investing in well-valued stocks like H&R REIT and Brookfield Asset Management in your TFSA over earning low interests. As long as you can stomach the volatility and buy on dips, you should come out much wealthier!

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