



TFSA Investors: 3 Canadian Stocks You Need to Own in 2021!

Description

Canadian investors have \$6,000 of new contribution space to add to their Tax-Free Savings Accounts (TFSA) in 2021! If you were 18 years or older in 2009, your accumulated contribution total is \$75,500! If you have yet to maximize your contribution space, there is no time like the present to maximize the power of tax-free investments! In fact, if you invest in your TFSA, you could boost your annual investment returns by 10-20%.

How? Well, if you don't need to pay tax on any of your interest, dividends, or capital gains earned, you are essentially keeping an extra 10-20% of your earnings in your pocket. Frankly, the TFSA is one of the greatest mechanisms for unlocking long-term [compounding investment returns](#). Albert Einstein once said, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it." I don't know about you, but I would prefer to be on the earning side of that equation.

Here are three great Canadian stocks for unlocking the power of compounding returns in your TFSA this year.

This TFSA stock is more exciting than you think

The first TFSA stock Canadians need to look at this year is **Telus** ([TSX:T](#))([NYSE:TU](#)). I really believe this could be a pivotal year for the company. It just announced its IPO plans for Telus International. It is looking like Telus International could garner a market valuation \$7 billion or even more.

Beyond that, Telus also has other digital growth ventures, like Telus Health (Canada's largest tele-health service) and Telus Agriculture (a business focused on creating digital efficiencies in farming and food management).

Like Telus International was, these segments are small today. Yet they are growing rapidly and are likely to fetch higher valuation multiples than its steady-as-it-goes wireless and internet businesses. Frankly, I am happy to collect its great 4.7% dividend today and watch this business accrete value, as it expands its ambitious digital empire.

This stock is the king of compounding

Speaking about expansion, **Constellation Software** ([TSX:CSU](#)) knows a thing or two about compounding returns. It is a great TFSA stock candidate. This company is a master of capital allocation. It acquires small software businesses that serve a competitive niche. It then provides capital, mentorship, and best business practices to turn those businesses into highly competitive market leaders. These businesses most often become cash cows. The proceeds are then re-invested back into the investment program again. Rinse and repeat. This strategy has fueled a massive 3,253% shareholder return (annual average returns of 42%) since 2011.

Like Telus, this TFSA tech stock is starting to spin-out some of its larger segments. It plans to IPO Topicus.com, one of its leading European VMS software consolidation vehicles. The IPO could be the beginning of additional mini-Constellation spin-outs across the globe. Constellation is relentless about creating shareholder value, and I think patient investors will continue to reap the harvest for many years ahead.

This TFSA stock has ample tailwinds

The last TFSA stock Canadians need to consider is **Northland Power** ([TSX:NPI](#)). I will preface by saying that this stock is not cheap. Along with all its renewable peers, it has seen a huge rise in its stock price. Yet, compared to most Canadian peers, and especially to American peers, it has one of the most attractive value/growth propositions. It has steadily become known for its expertise at developing off-shore wind farms. Consequently, it has a growing backlog of development opportunities in Asia, the U.S., and even Canada.

Today, the stock pays a 2.5% [dividend](#), but investors can expect that to grow, as cash flows increase from new projects coming online. I would probably wait for a pullback to get into this TFSA stock. Yet, both literally and figuratively, this great TFSA stock has a lot of tailwinds fueling its upside.

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1. NYSE:TU (TELUS)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:NPI (Northland Power Inc.)
4. TSX:T (TELUS)

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