



Got \$6,000? 3 Top Stocks for Your TFSA in February 2021

Description

With Canadian tax season upon us, now is a perfect time to think about maximizing your Tax-Free Savings Account (TFSA). Why, you might ask? Well, the TFSA is great way to save paying investment-related taxes over the long term.

If you are planning to invest over the next few years, why not do it in the most tax-efficient manner — completely tax-free. The Canada Revenue Agency (CRA) [just raised the TFSA contribution](#) by \$6,000. If you were 18 years old or older in 2009, you can now contribute a combined total of \$75,500!

Frankly, the TFSA is a great way to just boost your overall investment returns. Pay no tax on interest, dividends, or capital gains, and you could keep as much as 10-20% more of your annual investment earnings (depending on your tax bracket). If I were starting a new \$6,000 TFSA portfolio, here are three TSX stocks I would put to work today.

A safe bet in any stock market

As a foundational stock in my TFSA portfolio I would consider a solid green utility like **Algonquin Power** ([TSX:AQN](#))(NYSE:AQN). Yes, Algonquin may not be as exciting as **Tesla**. Yet it is exposed to similar trends that could fuel strong returns for many years to come.

Algonquin has a utility platform focused on water, natural gas, and electricity transmission/distribution. Yet, it also has a quickly growing renewable power business. It has over \$11 billion of assets across North America and nearly three GW of green power in service and in construction. Frankly, both sides of its business are set to do very well from the new renewable mandate in the U.S.

Algonquin is pursuing an aggressive \$9.4 billion capital plan. This is expected to accrete an adjusted net earnings CAGR of 8-10% over the next five years. Considering the quality and stability of its assets, that is a pretty attractive return. Combine that with a well-covered 3.5% [dividend](#), and this is a great staple stock for your TFSA.

Own the best in your TFSA

Constellation Software ([TSX:CSU](#)) is another tuck-away-forever TFSA stock. The more I learn about its business, the more I like it. Constellation acquires niche vertical management software (VMS) businesses across the world. It injects capital, provides mentorship, and gives aggressive growth targets. Then it lets the original management teams essentially build their own company. For many years, this company has been one of the best performers on the TSX.

Management just commented that it is going to get even more aggressive at pursuing larger entities. Just as it recently spun-out **Topicus.com**, these larger businesses could have additional spin-out or IPO potential in the future. Its management team are experts at allocating capital. Given its incredible track record, I would be happy to let them invest, re-invest, and compound my capital any day.

Tuck away this TFSA stock and forget about it

A final stock that makes for a great starter TFSA portfolio is **Canadian Pacific Railway** ([TSX:CP](#)) ([NYSE:CP](#)). CP is just an all-around-solid Canadian company. Its rail track has been in the ground for nearly 140 years. I expect that track and infrastructure will still be widely used for many years ahead. Frankly, there is just no other way to efficiently and affordably transport thousands of tons of cargo, freight, and commodities across the huge span of Canada.

Given this, CP has a strong competitive moat. It is almost impossible to access easements to build large-scale transportation infrastructure (like rail) anymore. CP is one of North America's most efficient and profitable railways. Considering this, buy this TFSA stock, tuck it away, and forget about it. One day you'll look back and be very happy that CP's trains keep on chugging away.

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4. TSX:CP (Canadian Pacific Railway)
5. TSX:CSU (Constellation Software Inc.)

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