



TFSA Investors: 2 Top Canadian Stocks to Buy and Hold for Years

Description

Are you looking to boost your investment returns in 2021? The Tax-Free Savings Account (TFSA) could be your best opportunity to do just that. When you place your investments in the TFSA, all your Canadian-earned interest, dividends/distributions, and capital gains are protected from taxation!

Paying no tax in your TFSA means you keep *all* your returns

In essence, keeping investments in your TFSA can help bolster your returns by as much as 20%. As long as you abide by the [TFSA rules set by the Canada Revenue Agency](#) (CRA), you can keep and reinvest 100% of your investment returns.

Of course, there are different merits to utilizing dividends in a non-registered account for their tax credits, etc. It is important to talk to your tax advisor on your specific situation. But if you really want to keep it simple, creating an investment income stream in your TFSA is as easy as it gets. If you have a very long investment time horizon, here are two top Canadian stocks I would consider holding in my TFSA.

A lifetime stock to hold

A great stock to tuck into your account and hold for years is **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)). This TFSA stock is a great staple to own in any portfolio. During the pandemic, the stock performed well. Even in the pandemic, products, goods, and commodities needed to be transported. While certain segment volumes were affected (like crude), it was balanced out by diverse strength in other bulk volumes (like grains).

In a recovery from the pandemic, this TFSA stock could do even better. The company relentlessly improved operations and maximized efficiencies in 2020. Consequently, it has one of the best operating ratios in the industry. As the economy picks up steam again, CP could see strong volumes return across all its operating segments. All that means strong earnings growth ahead.

This TFSA stock only pays a 0.83% dividend. Yet the company is utilizing its free cash flows to reinvest in new opportunities like intermodal terminals and route capacity. This is a great Canadian stock to own forever in your TFSA.

This Canadian TFSA stock keeps getting better

Another great TFSA stock is **Telus** ([TSX:T](#))([NYSE:TU](#)). Telus is one of Canada's largest telecom businesses. Its core wireline and wireless businesses is one of the best among its peers. Despite a challenging operational environment during the pandemic, Telus still added an industry leading 253,000 net customers in the fourth quarter of 2020. Likewise, full-year 2020 revenues expanded 5.5% over 2019 to \$15.46 billion. EBITDA was on par with 2020, but free cash flow exploded 54% to \$1.45 billion.

Like CP, if a business can improve through a pandemic, it should perform really well when the world normalizes. Telus's traditional business is well equipped to benefit from [the rollout of 5G](#). Over the past few years, it has invested heavily in its fibre-optic networks. Almost 81% of its broadband footprint has fibre installed. This network infrastructure will create a crucial quality advantage, as Telus deploys 5G in more cities and communities.

Likewise, Telus's little digital "side projects" in customer experience, healthcare/tele-health, agriculture, security, and the internet things are not so little anymore. That is evidenced by the record-breaking technology IPO of **Telus International** this year.

The value of these parts is still not factored into the stock, so there is definitely long-term upside from here. This TFSA stock also pays a nice 4.89% dividend. Given the broad array of opportunities, this stock is showing strong signs of delivering great total returns for many years to come.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. NYSE:TU (TELUS)
3. TSX:CP (Canadian Pacific Railway)
4. TSX:T (TELUS)

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