



Top 3 TFSA Stocks for 2021

Description

Canadians can deploy another \$6,000 into their Tax-Free Savings Account (TFSA) in 2021. Shielded from taxes, this amount of money could compound into a tiny fortune if you pick the right stocks and stick with them for long enough. With that in mind here are the top three stocks you may want to consider for your TFSA this year.

TFSA opportunity #1

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a top TFSA stock for two reasons: oil prices are trending higher, and the company has Warren Buffett's vote. In fact, Suncor is the only Canadian stock Buffett currently holds in his company's portfolio.

That could be because the Oracle of Omaha saw the stock trading for below book value (last year) while oil prices were climbing higher. The price of Brent Crude has jumped from US\$9 to US\$65 in less than a year. In 2021, the price could surge much higher, as global demand is unleashed.

The declining rate of COVID-19 cases and the growing rate of vaccinations should help borders reopen. Meanwhile, global oil production capacity isn't ready for a sharp jump in consumption later this year. That means Suncor stock, which is already up 70% from October, could jump much higher. Meanwhile, the stock offers a lucrative 3% dividend yield.

Suncor could be an ideal near-term bet for your TFSA.

TFSA opportunity #2

Aritzia ([TSX:ATZ](#)) is yet another "rebound stock." Demand for clothing, accessories, and shoes declined sharply in 2020. With offices shut and families confined to their homes, there was simply no point in buying new attire.

Aritzia stock has tripled since March 2020. The company managed to offset some losses, as online shopping jumped 150%. However, demand should expand across its product lineup in the second half of 2021, which could push the stock much higher.

Based on expectations of a recovery, Aritzia stock is trading at a *forward* price-to-earnings ratio of 28.9. That's reasonable for a company that's likely to achieve double-digit margins and growth for the foreseeable future. Keep this on your 2021 TFSA radar.

TFSA opportunity #3

Constellation Software ([TSX:CSU](#)) isn't just a good pick in 2021. It's a [good pick pretty much any year](#). You could have invested in Constellation at any point in its 30-year history and made a comfortable profit.

That's because the company's management has nearly perfected the growth-via-acquisition model. It's acquired roughly 300 small- and medium-sized software companies over the years, creating immense shareholder value.

What makes the company's cash flows robust is the fact that roughly half of its clients are government agencies. That means multi-year software contracts and no risk of defaults.

This year, the company made two major announcements. It's suspending its dividends and broadening its investment horizon beyond software. That's a clear green flag to investors. With a broader investment universe, Constellation's potential growth is nearly infinite.

There are plenty of reasons to hold this gem in your TFSA.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

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1. Investing

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