



TFSA Investors: The 2 Best Stocks to Buy in March and Hold Forever

Description

With tax season around the corner, one way to save on future tax is to invest through your Tax-Free Savings Account (TFSA). [Studies](#) have found that most Canadians are starting to utilize their TFSAs. However, nearly half of Canadians are only using it as a savings account.

Don't waste your tax-free on low "high-interest" savings accounts

Unfortunately, utilizing your TFSA in this manner doesn't really do much good. Sure, you are not taxed on your interest income in that account. However, considering you are only earning a paltry 1-2% from a "high-interest" TFSA savings rate, there is not much to tax anyways.

If you can afford a bit more risk and have a longer-term time horizon, the TFSA can be a great way to compound investing returns. Over time, a well-balanced portfolio of ETFs, stocks, or even bonds (or a mix of all those assets) can really build significant wealth. Combine that with the power of tax-free returns, and you can be sure your compounding will happen *a lot* faster.

Here are two **TSX** stock ideas I would consider if I were starting out a TFSA investment portfolio today.

TFSA stock #1: Brookfield Infrastructure

Brookfield Infrastructure Partners ([TSX:BIP.UN](#))([NYSE:BIP](#)) is a really good foundation stock for beginner TFSA investors. The reason I like it is because every investor and consumer can generally understand power lines, railroads, pipelines, cell towers, and fibre networks. They are everyday pieces of infrastructure that we need, but generally don't think about (until they disappear or stop working). We all need power, water, gas, and, most importantly, internet!

Brookfield has a diverse mix of these types of assets across the world. Consequently, its cash flow mix is very predictable and is generally contracted or regulated. While its assets are boring, its business

strategy is not.

It has very strong organic growth fundamentals (7-9% a year) and has great opportunities to grow by acquisition. The company has consistently raised its dividend by a CAGR of 10% since inception in 2009. Right now, this TFSA stock pays a nice [dividend](#) yield of 4%. Yet, given the robust pipeline of growth ahead, there is still upside in 2021 and for many years ahead.

TFSA stock #2: Enghouse Systems

Another great TFSA stock to own is **Enghouse Systems** ([TSX:ENGH](#)). While many people have never heard of it, Enghouse has one of the best records on the TSX. Had you bought this stock 10 years ago, you would be sitting on a gigantic 1,248% return!

Enghouse is a serial acquirer of various software-as-a-service businesses. Often, these are more legacy type software businesses that Enghouse can purchase at attractive valuations. It then revamps their business models and turns those businesses into cash machines.

This TFSA stock is incredibly profitable and produces a lot of free cash flow. Last year, it produced 30% free cash flow margins, which are some of the highest I have seen among peers. The stock had a nice run up after some of its services/products played well into the work-from-home trend.

Unfortunately, some of its acquisition growth (its largest growth driver) has receded due to pandemic restrictions. So, presently the market has given Enghouse a bit of a time out. Yet, all its products, business model, and expert management team remain the same. You may have to be a bit patient, but I believe out of the pandemic this TFSA tech stock still has a large runway of growth ahead.

CATEGORY

1. Dividend Stocks
2. Investing
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4. Stocks for Beginners
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:ENGH (Enghouse Systems Ltd.)

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Author

robbybrown

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