Millennial Couples: How to Turn $151,000 Into a Million and Pay Zero Taxes to the CRA

Description

The TFSA (Tax-Free Savings Account) is a flexible investment account for Canadians and is gaining in popularity for obvious reasons. Any withdrawals from this registered account in the form of dividends, interests, or capital gains are tax-free.

The maximum cumulative contribution limit for the TFSA in 2021 is $75,500. For millennial couples, this limit will double to $151,000. The TFSA is an ideal vehicle that can be leveraged to hold quality growth stocks and benefit from exponential gains.

Market turbulence often presents an opportunity for investors to buy growth stocks at a lower valuation. While it is impossible to time the broader markets, it makes sense to add to your equity position on a regular basis. This method also known as dollar-cost averaging allows you to take advantage of the market high and lows.

Over the years, we have seen several companies including **Apple**, **Netflix**, **Tesla**, and **Amazon** build massive wealth for long-term investors. Another company that should be on the radar of growth investors is Canadian giant **Shopify** (TSX:SHOP)(NYSE:SHOP).

Shopify is trading 23% below record highs

Shopify stock is currently trading at US$1,131, which is 23% below its record highs. The company went public back in 2015 and has returned a staggering 4,300% in fewer than six years. This means a $151,000 investment in Shopify stock soon after its IPO would have been worth $6.5 million today.

It might be difficult for Shopify to replicate its stellar returns in the upcoming decade due to its massive size. Shopify is now Canada’s largest company in terms of market cap. However, the multi-billion-dollar tech heavyweight continues to grow its top line at a rapid pace and should outpace the broader market over the long term.

While the COVID-19 pandemic decimated the traditional retail sector, it acted as a tailwind for e-commerce platforms. As people had no option but to shop online due to economic shutdowns, the shift to e-commerce accelerated at a fast clip.

Due to Shopify's market-thumping returns since its IPO, the stock is trading at a steep valuation. It has recently declined by 23% in the last month, as the broader markets have experienced a pullback. Alternatively, the recent decline in Shopify stock should be viewed as a buying opportunity.

What's next for investors?

In Q4 of 2020, Shopify increased sales by 94% year over year to US$978 million. Its adjusted net income stood at US$199 million, while earnings per share almost tripled to US$1.58. Shopify managed to beat Wall Street's revenue estimates of $910 million and earnings forecasts of US$1.25.

Shopify's subscription sales were up 53% to US$279 million, while merchant solutions sales soared 117% to US$698 million in Q4. The company's gross merchandise volume almost doubled year over year to US$41 billion as well in the December quarter.

However, market participants are now worried about the company's revenue deceleration in 2021, which contributed to Shopify's decline this year. Wall Street expects revenue to rise by 39.3% to $4.1 billion in 2021 and by 30% to $5.3 billion in 2022.

Comparatively, its earnings are forecast to rise at an annual rate of 38% in the next five years. It means Shopify's adjusted EPS will be around $20 in 2025. The stock is trading at a forward price-to-earnings multiple of 288, which is really high. If its forward price-to-earnings multiple "normalizes" to 100 in 2025, Shopify stock will rise to US$2,000.

Analysts covering the stock have a 12-month average target price of US$1,444 for Shopify stock, indicating an upside potential of 28%.

CATEGORY

1. Investing
2. Tech Stocks

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1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

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Date
2025/08/21
Date Created
2021/03/08
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