TFSA Investors: Make $1 Million by Choosing Value, Not Growth

Description

Growth stocks are an excellent investment strategy — one I wouldn't tell investors to steer clear of completely. If you have a Tax-Free Savings Account (TFSA), you need a diverse portfolio strategy. That means finding stocks, ETFs, currencies, and can include growth stocks.

Growth stocks are companies that generate sustainable and substantial positive cash flow. They tend exceed the expectations of analyst estimates for both revenue and earnings, and increase at a far faster rate than both the market as a whole, and the industry.

While these stocks are fantastic to have for a few years, growth eventually slows substantially. Sometimes this can lead to a share price crash, deserved or not. Yet many investors believe this is the best strategy if they want to become a millionaire from stock investing.

Instead, on top of your diverse portfolio you want to find value stocks to get you to $1 million. Here's why.

What's valuable

If you don't believe that value stocks are the best way to $1 million, don't believe me: believe Warren Buffett. The investment mogul has spent decades seeking out value stocks to add to his portfolio. He then holds these stocks on a long-term basis, suggesting others do the same.

Value stocks are generally contrasted to growth stocks. While growth stocks continue to soar upwards, value stocks actually seem to be at a lower price relative to fundamentals. These would include fundamentals such as dividends, sales, or earnings. This makes them incredibly appealing to value investors.

Some things investors might look for when seeking out value stocks would include a high dividend yield, a low price to book ratio (P/B) and a low price to earnings (P/E) ratio. Generally, a low P/B ratio would be under 3, and a lower P/E ratio under around 20. These indicators will help you figure out whether a stock is a bargain.

Where to invest

If you're looking for value these days, an undervalued area of the market continues to be with health care properties. Real estate has a bad rap, and this has mean health care properties continue to be tied to the real estate market. Yet health care properties are a necessity. So if you're able to find a diverse portfolio of properties around the world, you can find serious value from these stocks.

That's why I would recommend adding **NorthWest Healthcare Properties REIT Units** (TSX:NWH.UN) to your watch list. The company has a diverse range of properties and its balance sheet is incredible. The company has seen revenues soar in the last year, climbing 11% year over year through the last two quarters.

While shares continue to climb for the company, its fundamentals are a bargain. It currently has a P/B ratio of 1.5, and a forward looking P/E of 18. It also offers a strong dividend yield of 6.33% as of writing. Shares are up 22% in the last year, and 93% in the last five years. So clearly, this stock checks all the boxes for a value investor.

Bottom line

If this stock were to climb as normal, an investment of $20,000 would be worth $1.1 million in the next 25 years with dividends reinvested. But remember: this is value stock. That means there is likely to be a bump in the future that will bring you closer to that millionaire status. So dig in more to this stock today to see if it's right for your portfolio.

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TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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Date
2025/09/22
Date Created
2021/03/12
Author
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