



TFSA Investors: 2 Top Canadian Stocks to Buy with \$2,000 in 2021

Description

With the 2020 Canadian tax season right around the corner, it's time to think about the Tax-Free Savings Account (TFSA). While paying tax is a part of citizenship in this great country, why pay more than you necessarily need to? That is where the TFSA is such a great benefit to Canadians.

You can invest in many assets *inside* the TFSA

You can insert or purchase a wide array of investments into a TFSA. Once inside, those investments are not liable for any tax on interest, dividends, or capital gains! You can hold everything from cash, GICs, bonds, ETFs, mutual funds, and/or equities.

Not only are these investments not taxable, but you also do not need to report their income to the Canada Revenue Agency (CRA). If you don't like calculating investment income on your year-end tax returns, investing completely within your TFSA just simplifies things.

Make sure to follow the rules

Of course, there are some important rules about contributions and how you invest in the account. Currently, Canadians who were 18 years or older in 2009 are eligible to deposit a grand total of \$75,500 in contributions. That amount includes the 2021 \$6,000 contribution limit increase.

If you are uncertain, you can find your contribution space amount as of 2021 on CRA's My Account website. I personally like to keep track of my contributions in a spreadsheet. This way I am certain I won't be charged any of those nasty contribution overage charges (1% interest a month). If you are uncertain, you can always [contact CRA](#), your investment advisor, or your bank for more useful information.

Don't wait to start investing in your TFSA

The point is, setting up an investment account in your TFSA is worth your time. You can save time at tax return time and also save money keeping *all* your investment returns. If you were investing \$2,000 into a starter TFSA portfolio, here are two **TSX** stocks I would consider starting out with.

Algonquin Power

Algonquin Power ([TSX:AQN](#))([NYSE:AQN](#)) is just an all-around solid TSX [dividend stock](#) to own. It owns and operates a diversified mix of utilities (70% of its business) and renewable power projects (30% of its business). This TFSA stock has taken a bit of a hit, largely because of financial impacts that occurred from the extreme weather event in Texas last month.

Management expects this could impact the bottom line by as much as 6 cents in 2021 (or 8% of expected 2021 earnings per share). Yet, I believe this is largely a one-off event and presents a great long-term buying opportunity.

Algonquin has a large growth capital plan over the next five years. Management expects annual adjusted EBITDA growth to be in the range of 15%. Not many other utilities are growing even close to that rate. Combine that with its current 4% dividend yield and I think investors get a great income and growth profile.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM-A)([NYSE:BAM](#)) is another core TFSA stock to own. If you don't have many stocks, this is a great one to hold simply because of its diversity of operations. As one of the leading alternative asset managers in the world, BAM manages funds and subsidiaries in real estate, infrastructure, renewables, distressed debt, insurance, and private equity.

While this stock is considered a "financial" business, it is very different to say a bank. It has a management team that takes a value, contrarian approach to investing. It has teams across the world that can invest in assets whenever there is dislocation in the capital markets. So far, its strategy has been incredibly successful.

Had you owned this TFSA stock since 2010, you'd be sitting on a 397% total return and an average annualized return of 17%. Considering the stock is incredibly cheap today, I reckon it can keep up that pace for many years ahead.

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2. NYSE:BN (Brookfield Corporation)

3. TSX:AQN (Algonquin Power & Utilities Corp.)
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