3 Top TSX Stocks to Buy for Your TFSA

Description

The Tax-Free Savings Account (TFSA) should be at the core of most Canadian investors' investment strategy. Even though it has surpassed the RRSP to become the most used registered account, several people still don't harness its full potential. One of TFSA's major strengths is its versatility. You can use this stock for retirement savings, tax-free passive income, meeting your short-term investment/savings goals.

Its only limitations, the relatively low contribution limit, can be countered by choosing the right stocks.

A retail stock

Canadian Tire (TSX:CTC.A) is a nearly a century-old retail giant with 1,700 stores across the country. The Canadian Tire stores are rooted deep in their respective communities, and the company has adequately diversified its business well beyond the scope of simple retail. There are 14 different brands/banners that operate under the umbrella of Canadian Tire, including clothing lines, financial services, a REIT, and 295 gas stations.

This $9.7 billion (market-cap) empire deserves your consideration as one of your TFSA holding for a variety of reasons, but most importantly, its long-term growth prospects. It has a 10-year CAGR of 12.55%, and if the company can keep growing at the same pace for even a couple of decades, it can help you create a sizeable nest egg on your TFSA.

One of the Big Five banks

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) offers the stability inherent to the Canadian banking sector, generous dividends, and modest capital growth opportunity. As the second-largest bank in the country and one of the most international Canadian banks, TD still has a lot of room to grow. TD has stood the test of times with the rest of the sector and passed, so you can be reasonably sure that the bank might be able to rise above whatever turmoil the market sees in the future.

Currently, TD is offering a juicy 4% yield. If you invest $6,000 in TD and place it in your TFSA, you will earn $240 in dividends a year. And if it keeps growing at its current 10-year CAGR (10.8%) pace for the next three decades, it might turn your $6,000 investment into a nest egg of over $100,000.

A consumer staples aristocrat

Empire Company (TSX:EMP.A) is a Canadian conglomerate, mostly made up of retail food businesses. It's also one of the oldest Canadian Dividend Aristocrats, though its 1.5% yield makes it a less-than-ideal dividend stock. But like the other two stocks, Empire Company has a dominant position in its respective market, and it's rooted deep in the communities it serves.

The company has grown over 600% in the last 20 years. If it can replicate this growth for the next 20 years as well, you will have another decent-sized nest egg in your TFSA. Its growth might not be on part with several other growth stocks you can look into, but they might not come with the security and long-term consistency potential of Empire Company.

Foolish takeaway

The TFSA can indeed be used to save and grow for your short-term investment goals. But that doesn't mean you should only consider rapidly growing stocks for your TFSA. The prudent approach is to balance your TFSA portfolio with some stable, long-term growth stocks, along with some powerful growth monsters.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:EMP.A (Empire Company Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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Date
2025/07/21
Date Created
2021/03/27
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