



TFSA Stocks That You Could Hold Forever

Description

The tax-free savings account (TFSA) is tragically underutilized. Most Canadians never max out their TFSA contribution room. Of the ones that do, the majority of their capital is kept in savings accounts.

However, the TFSA is designed to shield investors from tax consequences on generating dividends and capital gains from savvy investments. That's why deploying your TFSA in robust stocks is probably the best way to use it.

Admittedly, stocks can be somewhat risky. Tech companies and high-flying growth stocks are unpredictable and volatile. Which is why I've assembled a list of stable growth stocks that you could probably buy and hold forever without much concern. Here are my top two forever picks.

TFSA stock 1

Constellation Software ([TSX:CSU](#)) is Canada's most underrated tech gem. The company was founded by a pioneer in the venture capital space: Mark Leonard. However, unlike his counterparts in the venture space, Leonard has focused on niche enterprise software verticals.

The Constellation portfolio now includes over 300 small and medium-sized enterprise software providers. These range from catering service platforms to billing systems. The type of systems companies invest in and never bother to change for decades. This stickiness creates immense cash flows for Constellation which are all reinvested in more acquisitions.

What makes Constellation's cash flows even more robust is that fact that over half of its portfolio companies service government agencies. Government contracts are far more sticky and predictable, which makes Constellation's earnings more reliable.

In short, this is a buy-and-forget TFSA stock.

TFSA stock 2

Utility giant **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) is another buy-and-forget TFSA stock. It's arguably safer and more predictable than enterprise software. Fortis supplies electricity across Canada, the United States, Central America, and the Caribbean. The company has managed to expand earnings and dividends every year for the past 46 years.

This bonafide [Dividend Aristocrat](#) is one of the least volatile stocks on the market. Last year Fortis stock remained steady even in the middle of the pandemic panic. Meanwhile, investors lapped up generous dividends. The dividend yield was as high as 4.5% at some points last year.

By the end of the year, Fortis had bumped up the dividend too. The shareholder payout was hiked by 6%. Management expects to keep hiking the dividend every year for the next five years at least. This stability and predictability is what makes Fortis such a great value stock. Investors tend to flock to it for safety when the market gets too volatile — which is why it's the ideal TFSA stock.

Bottom line

The stock market can be volatile. Millions of Canadians have lost substantial wealth in previous economic crises. Oil, tech and retail can swing wildly. However, some industries like enterprise software and utilities are much more stable.

TFSA stocks like Fortis and Constellation could be a permanent fixture on your retirement portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:FTS (Fortis Inc.)

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1. Business Insider
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