TFSA Investors: Is Air Canada Stock a Good Buy Right Now?

Description

Investors who use the Tax-Free Savings Account (TFSA) want deals. These deals mean you get the maximum amount of returns, with minimal trading. It can help you build a substantial portfolio before retirement, with little risk. But one stock that investors continue to be unsure about is **Air Canada** (TSX:AC). Air Canada stock could be the perfect retirement option, or far too risky despite the cheap share price. So let's see what might happen in the next few years.

TFSA investment

The TFSA contribution limit added in 2021 was $6,000. That brings the total amount of investment room up to $75,500 if you were 18 in 2009 and started contributing today. However, you can always check on your TFSA contribution room by visiting your MyAccount on the CRA website, or calling CRA directly.

Investors use the TFSA for multiple reasons, but all towards a goal. You can put money aside without worrying about taxes, doing minimal trades to keep down commissions. If you're young, it means every time you invest you can put that money away for decades before you need it, leaving a great opportunity for superior returns down the line. It also gives you flexibility during an emergency, or if you need cash suddenly for something like your dream home.

Air Canada stock: One of the best for your TFSA

When it comes to making these long-term commitments, you want the best. That means blue-chip companies that are industry leaders. This is why today we're looking at Air Canada stock. The company owns the market share in the Canadian airline industry, and has the best opportunity to rebound post-pandemic.

Air Canada stock saw its share price crumble when the pandemic hit. The company lost millions every day its flights were grounded. Even today, the company is no where near full capacity, with months or even years before it returns to pre-pandemic levels.

But as COVID-19 vaccinations become more widespread, travel restrictions should become less and less. This will increase the demand for airline travel. This includes business travel, which the company relied heavily on before the pandemic hit.

But even before then, Air Canada stock has found other ways to get moving. It recently expanded into the cargo arena, where competitors have seen a massive amount of growth. This should help bring in revenue with the boost in e-commerce during the last year.

The company has a strong track record of finding new ways of bringing in revenue like this. Before the pandemic, it purchased fuel-efficient aircrafts, and bought back its Aeroplan loyalty program. True, the **Transat A.T.** deal fell through, but that's more money in its pocket. With $13 billion in debt, even a $5.9 billion aid package won't cover all the lost costs for Air Canada stock.

Should you buy Air Canada stock now?

TFSA investors who are searching for a company to buy long term would do well to consider Air Canada stock. The company today appears undervalued. Shares trade at $25, compared to $50 pre-pandemic. Long-term investors have done well with Air Canada stock, even by today's standards.

In the last decade, shares have risen 1,000% for a compound annual growth rate (CAGR) of 27.2% as of writing. That means a $10,000 investment in the company a decade ago would be worth $112522 today! So if you have even a little cash set aside, Air Canada stock would be a great option as a long-term hold for your TFSA.

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