Canada Revenue Agency: Use Your Tax Refund to Buy These 2 Stocks

Description

A lot of people regard tax refunds as a personal bonus, that is, something they can spend on frivolities or buy something they couldn't find the money for in their regular income. It *is* a good idea to treat yourself every now and then (especially with the CRA's money, which is technically your money if you think about it), but you can find a much better use for your tax refund — buying stocks.

Let's say you are financially disciplined and you have a savings and investing routine that you reverently stick to. That usually results in gradual but predictable growth of wealth. But you can expedite the growth of your portfolio and investments by adding additional funds (like the tax refund money) to the mix.

For the returns processed between February and the start of May this year, the average amount per return is $1,845, and in the right stocks, it can become quite an asset for you, given enough time.

A bank stock

Even if we go beyond the scope of simple banking stocks and look at the financial sector in general, few stocks combine the stability and growth potential as elegantly as **the National Bank of Canada** (TSX:NA) does. The bank has become a growth powerhouse for investors, though a negative consequence of it has been the slimming of the yield. At 3.1%, National Bank's yield is nothing to scoff at, but it's not that impressive compared to what the Big Five are offering.

But the bank outshines its peers in the capital growth department and has really picked up pace in the last five years. It has returned almost 114% in half a decade, and if you stretch back further to analyze the full-decade history, it has a 10-year CAGR of 13.3%, easily the best among the Big Six. And yet, the stock isn't aggressively overpriced.

If you invest your tax refund money in this bank and forget about it for one or two decades, you might be able to do much more with the resulting money than what you can do with it if you spend it right away.

A telecom company

The telecom giant **Telus** (TSX:T) is significantly more generous with its dividend yield than the National Bank is. It's offering payouts at a yield of 4.87%, which is sizeable enough to start a decent passive income if you invest a hefty sum in the company. But if you are going to invest just your refund money in the company, you might be able to maximize your returns by opting for a reinvestment plan.

The 10-year CAGR of Telus is 11.89%. It's substantial enough for decent long-term growth. $1,845 growing at this rate for two decades can turn into $17,451. Telus is also a significant player in the Canadian 5G market, and if rapid 5G adaption and growth gives its valuation a boost, Telus might start growing at an even more robust pace.

Foolish takeaway

A small amount invested in the right stock for a long time might prove to be significantly more profitable in a hefty sum invested in the wrong company, even *if* you give it a decent amount of time to grow. It might be tempting to use the tax refund to meet some of your routine expenses and give your regular income a break, but it might be much more helpful to you if you invest it.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)
2. TSX:T (TELUS)

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