



2 TFSA Stocks for May 2021

Description

If you haven't depleted your Tax-Free Savings Account (TFSA) contribution room this year, this may be the best time. The stock market has corrected in recent weeks, as high-flying tech stocks experience a pullback. Some growth stocks are starting to look attractive again.

Here are the top two TFSA stocks you should consider throughout this month.

TFSA stock #1

Topicus.com ([TSXV:TOI](#)) is the ideal [TFSA stock for this year](#). Recently listed and still under the radar, I wouldn't be surprised if this company eventually graduates from the Toronto Venture Exchange to the main board relatively shortly.

Topicus is a spin-off from enterprise software giant **Constellation Software**. Like its parent company, Topicus focuses on acquiring software businesses in niche corporate verticals to expand cash flow over time. Unlike its parent, this team is exclusively focused on Europe.

European software companies tend to have lower valuations. Topicus has a better opportunity to snap up bargain deals and create value for shareholders over the long term.

Topicus stock has surged 40% since it was listed. At its current valuation, the stock is trading at nearly 16 times free cash flow from 2020. Cash flows have been growing by double digits every year, which means the stock probably deserves a higher multiple. It's an underrated and undervalued gem that certainly deserves your attention.

TFSA stock #2

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is another overlooked TFSA stock that deserves some attention. The auto parts giant benefits from the recovery in car sales over the past year. But the team's investments in the future of transportation are the key reasons to invest.

Magna has worked with major car manufacturers to create proprietary technology for self-driving and electric vehicles. According to Magna, electric self-driving cars are likely to have more parts that the team can supply. These parts also command higher margins, which means sales and net income should steadily grow in the years ahead.

Magna stock is up 29% year to date. Despite this surge, it's still trading at a price-to-earnings ratio of 25.8 and offers a 1.8% dividend yield. This makes it a reasonably priced TFSA growth stock with lots of upside potential. Keep an eye on it.

Bottom line

The biggest mistake most Canadians make is not fully utilizing their TFSA. Most people either save too little or treat their TFSA as a savings account that earns negligible interest rates.

Instead, the TFSA is an excellent wealth creation tool that should be deployed in steady growth stocks. With tech valuations dropping, this might be the best time to add some reasonably priced growth stocks to your portfolio.

My top picks are European software consolidator Topicus and auto parts giant Magna International. Both stocks are overlooked by mainstream investors and have steady cash flows and bright prospects for future growth within their niches. Keep an eye on them.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSXV:TOI (Topicus.Com Inc.)

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