2 Brilliant Stocks to Stash in Your TFSA

Description

Every investor knows one thing that they *shouldn't* keep in their TFSA: cash, unless it's for investing. That's an easy enough thing to keep in mind. But figuring out the right thing (the right asset) to put into your TFSA can be challenging. There are far too many options, and if you try putting too many different stocks and assets in your TFSA, you'll overdiversify and dilute the power of your capital.

You don't need every "right" company in your TFSA — only a few. You might get better returns with 10 companies stashed in your TFSA, even if three of them (30%) fail to reach your return projections, compared to 50 companies in your TFSA, even if only 10% of the stocks tank. So, be selective with your TFSA holdings. Don't settle for okay stocks when you could have brilliant ones.

A reliable growth stock

When it comes to growth stocks, few offer as decent a combination of consistency and "pace" as **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) does. And for extra credit, you can throw in a stellar dividend history and a business model that is likely to survive and thrive for decades to come. But the highlight of this 140-year-old company is still its growth potential.

The five-year and 10-year CAGR of the company is almost the same, and the three-year CAGR is a little higher, which indicates a very consistent growth pattern. The stock is expensive, although not as expensive as relatively wilder growth stocks (usually from the tech sector) tend to be. The beta is 0.7, making it stable. The company's financials look promising, even if you counted the slight drop in revenue in 2020.

The yield is not high enough to add to the returns, especially if you are investing a relatively modest amount in the company, but its 24% a year growth rate (based on its 10-year CAGR) is reason enough to stash this brilliant growth stock in your TFSA. Even with $6,000 invested (one year's contribution) and two or three decades of growth, this stock has the potential to become a substantial part of your retirement nest egg.

A brilliant combination of dividends and growth

The Canadian banking sector is on a tear, but even when it wasn't, **National Bank of Canada** (TSX:NA) was one of the best growth stocks in the sector, at least during the last five years. The bank also offered a generous yield, and even though it has dipped in response to the stock's powerful ascent, the 3% yield is still a sizeable enough number to influence your buying decision.

If you compare it to the others in the Big Six, the bank is quite reasonably valued right now. It's also financially stable and offers adequate capital growth potential, though it would only become substantial if you are planning on keeping this stock stashed in your TFSA for decades and not just years.

It might still be a good idea to wait for the stock to dip a bit before buying. The chances of it crashing to a discounted valuation are quite slim, but if it happens, you can take advantage of both the bargain and a high yield.

Foolish takeaway

One of the main reasons to add growth stocks to your TFSA is that you can grow capital/your savings for short-term financial goals *as well as* retirement. Since you can access your TFSA funds whenever you want, it's also a great place to keep and grow an emergency fund.

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2. TSX:CP (Canadian Pacific Railway)
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Author
adamothman