2 Canadian Stocks for TFSA Investors That Offer Long-Term Growth

Description

A Tax-Free Savings Account (TFSA) is undoubtedly one of the most tax-efficient investment choices Canadians have. Though it is called a savings account, it can earn superior returns on varied investment products without losing a dollar on taxes. As frequent buying and selling of stocks in your TFSA could lead to penalties. But holding quality stocks for the long term would be the best use of the TFSA. Here are some of the top Canadian stocks you can consider for your long-term holdings.

Intact Financial

When looking for stocks for the long term, I focus more on stability. It doesn't matter then if a stock is among the top performers in the industry. Canada's leading property and casualty insurance company **Intact Financial** (TSX:IFC) is one of them.

With its decent dividends and stable stock price movements, IFC has created robust shareholder wealth over the years. It has returned 350% in the last decade, notably outperforming **TSX** stocks at large. If you invested $20,000 in IFC a decade ago, you would have accumulated $80,900 today.

A $30.5 billion Intact Financial holds approximately 17% market share in Canada's property and casualty insurance market. It has completed 17 accretive acquisitions since 1988. It has notably outperformed peers driven by its superior earnings growth and growing market. Its multi-channel distribution strategy, scale, and in-house claim expertise drove the growth all these years.

Intact stock pays a stable yield of 2%, lower than average. However, it has increased dividends by 9% CAGR since 2009, notably beating peers. Intact stock offers handsome total return potential for long-term investors with strong capital gain prospects and decent dividends.

Toronto-Dominion Bank

People usually make investing unnecessarily complicated. Businesses that have been around us for decades and have seen multiple financial crises can be considered for long-term investments. For example, consider Canada's second-biggest lender **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). It has $1.7 trillion in assets and serves almost 15 million customers.

Toronto-Dominion, like almost all Canadian banks, has seen a solid recovery from the pandemic this year. Not only did the stock prices recover, but their earnings recovery this year has also been quite cheerful.

TD Bank's net income grew by a 12% compound annual growth rate (CAGR) in the last decade, beating the industry average. Its superior earnings growth translated into its stock market performance as well, returning 240% in the last 10 years.

Even if we are not out of the pandemic yet, credit quality at Canadian banks has significantly improved. Toronto-Dominion has excess cash with its common equity tier ratio at 14.5%, notably higher than peers. It is a ratio that shows a bank's financial cushion to withstand severe economic decline.

TD stock currently yields 3.8%, in line with peer bank stocks. It will likely increase dividends, which are currently paused on regulatory orders, probably in the next few quarters.

Bottom line

TFSA investors can comfortably get double-digit returns with TSX stocks instead of 2%-3% returns on the savings account. This year's limit of TFSA contribution limit is $6,500. You can consider investing in stocks through TFSA to get handsome, tax-free returns in the long term.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:TD (The Toronto-Dominion Bank)

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