3 Growth Stocks to Double Your TFSA Faster!

Description

If you've had the privilege to contribute fully to your Tax-Free Savings Account (TFSA) since its inception in 2009 and earned a very conservative 6% return every year, your TFSA portfolio would have passed the $115,342 mark! Two key factors determine the speed of your TFSA growth: your contributions and the return on your investments.

Regular savings and rate of return

First, your TFSA growth requires disciplined savings. Since 2009, the TFSA limit each year has been $5,000 to $10,000 — most of the time in the $5,000 to $6,000 range. By 2021, the totaled contributions or savings were $75,500. The TFSA limit will grow, over time, indexed to inflation.

Your capital, which first fuels your TFSA investment fund, is of utmost importance in growing your TFSA in the initial years. Later on, as your TFSA portfolio grows, the contributions will play less and less of a role.

Second, the returns you earn on your investments are critical as well. If you were able to bump the 6% rate of return to 12% instead, your TFSA would be more than $200,000 by the end of this year — specifically, $232,863!

For those who earned a 20% return, their TFSAs would have achieved over $200,000 by the end of 2019 (specifically, $217,861).

Here are three types of stocks that can potentially help double your TFSA more quickly.

Value stocks

During bear markets, there are a lot more value stocks to choose from. For example, during the pandemic market crash last year, you could have picked up shares of **Manulife** at $13 per share and sold it at $24.50 per share today for 88% gains in addition to the awesome dividends received in between, which roughly added another 10% of returns. Alternatively, you could continue holding the shares that cost $13 per share and continue earning an 8.6% yield.

Once value stocks trade at close to their fair valuation, their growth rate will not satisfy the 20% return target. That's where growth stocks come in.

Growth stocks

Lightspeed POS has grown at a super speed with the stock price to prove it. For example, its revenue tripled year over year in the last quarter, which helped drive the growth stock 65% higher year to date. Here are more Canadian growth stocks to choose from. You can also find many large-cap growth stocks south of the border: **Alphabet**, **Amazon**, **Apple**, **Facebook**, **Microsoft**, etc.

Small-cap stocks

Stocks are growing the fastest when they're small. Therefore, it makes good sense to invest in stocks when they're still small. You can explore small-cap stocks from the TSX Venture Exchange (TSXV). If it's too big a list for you, you can filter down to the ones on the TSX Venture 50 list.

Watch out particularly for small-cap stocks that have recently graduated from the TSXV to the **TSX**, as they would have greater attention from the investing community, including institutional investors, when they grow to a large enough scale.

Be careful, though. Because of their small size, the slightest change, whether macro or within the company, could send the stock way higher or lower. It would be safest to buy a basket of small-cap stocks and view the group as an extension of your overall investment portfolio.

You would also have a higher chance of securing gains by buying small-cap exchange-traded funds during a bear market and holding through the recovery before booking gains.

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Date
2025/07/27
Date Created
2021/09/03
Author
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