



3 Top Stocks to Buy and Hold Forever in Your TFSA

Description

The [Tax-Free Savings Account](#) (TFSA) has helped thousands of Canadians build savings and wealth. The best way to compound wealth is to invest, then collect interest, dividends, and capital gains and pay no tax on those returns. While that would normally be illegal, the TFSA is one option where the Canadian government allows its residents to invest tax-free. If I were looking to build a solid, diversified TFSA investment portfolio, here are three top stocks I would consider buying and holding in my TFSA for many years to come.

A solid income stock for a TFSA

For an income component to your TFSA portfolio, **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE: BEP](#)) is a great fit. If you think about one of the largest trends of this decade, it has to be decarbonization and the transition to renewable energy.

With a market cap of \$13 billion, Brookfield is one of the largest owners and developers of renewable power in the world. Across the world, it has hydro, wind, solar, battery, and distributed generation projects. With a strong balance sheet and large economies of scale, it is in a top position to help major corporations and governments meet their decarbonization goals.

Today, the company pays a 3.4% dividend. Since 2012, it has raised its dividend by a 6% compounded annual growth rate (CAGR). With a target annual total return of 12-15%, this is [a solid stock](#) to play the ESG trend for years ahead.

A top growth stock in Canada

For the last five years, there has never been a bad time to buy and hold **Constellation Software** ([TSX:CSU](#)) in your TFSA. Over that time, it has delivered a 265% return, not including dividends paid. That is a 29.5% CAGR over that period! With a market cap of \$46 billion today, one may wonder how much more it can grow.

Certainly, past performance is not predictive of the future. However, it does demonstrate that a business does have a unique “secret sauce.” Constellation buys vertical market software businesses, harvests their cash flow, and re-invests into more businesses. Recently, it has lowered its investment hurdle rate.

While it may not capture the same return per acquisition as prior, it is able to complete more deals. That could, in fact, lead to growth accelerating, at least in the immediate future. Constellation has some of the finest managers and capital allocators in Canada, perhaps the world. Trust it with your capital, and I don’t think you will be disappointed.

A TFSA stock with value, income, and growth

Speaking about capital allocators, **Calian Group** ([TSX:CGY](#)) has done a good job of building a multi-faceted conglomerate. It operates tech-backed businesses in education, healthcare services, satcom/advanced technologies, and cybersecurity/IT.

Over the past five years, its stock has appreciated by 172%, or a 22% CAGR. What I like is that this TFSA stock only has a market cap of \$723 million. It is at an inflection point, where growth could really begin to accelerate across its market segments.

In fact, so far, each segment has exceeded 10% organic growth targets in 2021. Calian has a cash-rich balance sheet. It has fuel for [acquisitions](#) and capacity to organically expand as opportunities arise. It also pays a decent 1.8% dividend. With a forward price-to-earnings ratio of 17, this TSX stock is cheaper than most other Canadian growth stocks. For value, income, and growth, Calian is an ideal TFSA stock.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:CGY (Calian Group Ltd.)
4. TSX:CSU (Constellation Software Inc.)

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