2 Top TSX Stocks to Buy for TFSA Investors

Description

If your resolution for the New Year is to get serious about money and investing, a Tax-Free Savings Account (TFSA) will surely help. TFSAs allow Canadians to grow their money tax-free in the long term. While it is called a savings account, it is actually an investment account. For 2022, the TFSA contribution limit has been raised by $6,000. So, the total available limit for TFSA contribution if you have never invested in the TFSA so far will be $81,500.

Conservative investors get around 2-3% on low-risk investments like guaranteed investment certificates . However, TFSAs allow investing in TSX stocks as well, which can earn way higher returns than low-risk investments. Interestingly, dividend income or stock appreciation generated within the TFSA are tax-free throughout the holding period and at the time of withdrawal.

Here are some of the top TSX stocks that TFSA investors can consider for the long term.

Air Canada

Canada's biggest passenger carrier, **Air Canada** (TSX:AC) stock, has been trading weak this year. It has lost more than 12% in 2021 and is trading 62% lower than its pre-pandemic highs. AC stock got upward momentum after it reported better-than-expected Q3 results. However, it soon lost steam on the Omicron fears.

However, if you are a long-term investor, you should think about what could happen to AC stock post-pandemic, probably in the next few years. Air Canada management claimed that it could take three years to return to its 2019 profitability levels amid the pandemic last year.

As the air travel demand gains steam in the next few quarters, the flag carrier will likely increase its revenues and lower the cash burn. It reported $2.1 billion in revenues in Q3 2021 — a massive 178% growth year over year.

Importantly, Air Canada has one of the strongest balance sheets in the industry, which could fund its growth plans post-pandemic. AC stock is currently trading at $20 and looks like a worthwhile investment proposition.

Enbridge

Canada's top midstream energy stock **Enbridge** (TSX:ENB)(NYSE:ENB) is another bargain deal for long-term investors. Like Air Canada, Omicron fears have weighed on Enbridge stock lately. Since November, it has fallen 13% and is currently trading at six-month lows.

While ENB stock is trading weak at the moment, this could be an opportunity for bargain hunters. With limited energy pipelines capacity and increasing demand, the value of Enbridge's existing pipeline infrastructure is growing. It has an unmatchable pipeline infrastructure that earns stable, fixed-fee revenues. Enbridge earns revenues from its long-term contracts and, thus, has relatively stable earnings relative to upstream energy companies.

It pays stable dividends that yield 7% at the moment. Its juicy dividends could compensate to some extent in bearish markets. Importantly, ENB management has guided a 5-7% dividend increase annually through 2024.

Bottom line

Both ENB and AC stocks are currently trading at lows and offer handsome growth potential for the long term. Re-openings and robust economic growth could fuel earnings of these two, unlocking notable value for shareholders.

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vinitkularni20