Top TFSA Investment Options for 2022

Description

Tax-Free Savings Account top-up season is right ahead, with another $6,000 that investors can contribute for 2022. Undoubtedly, many investors may be wondering where to put their next contribution. It's a tough environment, with an extended valuation on the broader stock markets. Bonds and other fixed-income debt securities are also ridiculously unrewarding, with rates as low as they are. Further, continued inflationary pressure could also stand to punish savers seeking to put $6,000 in TFSA funds into a savings account.

There's no question that TFSA investors have hard choices to make going into the new year. There are no clear answers, with the massive uncertainties that could weigh on markets and the guaranteed loss of purchasing power by hoarding excessive amounts of cash.

For reluctant TFSA investors, I'd argue that diversification remains key to doing well in what's shaping up to be a harsh environment in 2022. That means having some cash on the sidelines to take advantage of stock market crashes or corrections, but also investing a good amount in today's slate of bargains.

COVID, rate hikes, and inflation: Top risks to manage in 2022

By hedging your bets and playing both sides of the coin, TFSA investors can move through even the most challenging of years, with a game plan already in mind. That way, one need not panic in the face of a steep sell off, as one already knows what to do. With inflation showing no signs of pulling back below the 4% mark, investors must realize that their purchasing power will take a hit. It's smart to always have cash for pullbacks, but one must understand the penalty they'll take with holding too much cash. There's no telling what inflation's next step will be, especially if Omicron brings forth further monetary stimulus.

In this piece, we'll have a look at two intriguing investment options for TFSA investors going into the new year. With elevated inflation, ongoing pandemic risks, and some number of rate hikes, investors should play each risk carefully.

TFSA investment option #1: Enbridge

To help your TFSA reduce the blow of inflation, an undervalued, underrated dividend growth stock like **Enbridge** (TSX:ENB)(NYSE:ENB) may be a solid bet. The growing dividend (yielding 7.1% at writing) is yours to collect, even if stocks tread water through most of 2022. Indeed, a 7.1% yield can help you outpace the rate of inflation. But the magnitude of the payout does seem too good to be true. Undoubtedly, midstream fossil fuel plays have been slapped a discount, even with the incredible amount of pressure taken off their shoulders in late 2020 and 2021.

With underrated renewable investments under the hood, Enbridge is more than just a pipeline company. It's a cash cow that's far more ESG friendly than most would give it credit for. Year to date, the stock is up just shy of 20%. With a mere 17.1 times trailing earnings multiple, ENB stock seems like a bargain worthy of any TFSA for 2022 and beyond.

TFSA investment option #2: SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) is another dividend heavyweight, with a yield of nearly 6%. The retail REIT space is unsexy, but SmartCentres has a solid long-term plan to move into residentials.

Further, its retail property portfolio houses some of the most resilient firms out there. As Omicron spreads, Smart's payout will continue being well supported. We've already seen the worst-case scenario regarding lockdowns playout in 2020 — shares of SRU.UN have bounced back an incredible 38% year to date. As the name tests new highs, I'd look to be a buyer, as the REIT still looks undervalued.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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