2 Top Stocks to Buy Your Child in 2022

Description

When it comes to Canadian stocks to buy for your child you should focus on the names that have the potential to offer you the best total returns over the course of 15 to 20 years. While it's tempting to chase returns, never lose sight of the risks.

When investing for your child, you have a ridiculously long investment horizon. That alone can reduce risk in this kind of rocky market. That said, you shouldn't seek to take too much risk, especially with many of today's fast-falling knives in the tech scene. High-multiple growth stocks are currently taking a hit straight on the chin, and there's no telling when they'll bottom out, given rates are likely to continue trending higher, potentially for years.

For your child's portfolios, do try to keep things simple and focus on the next one or two decades. While it may be wise to add some risky tech to your child's portfolio, do stick with what you know and what you can value, given today's slate of market risks. That means taking a raincheck on cryptocurrencies like Bitcoin or Ethereum, two popular tokens which may or may not be the talk of the town in 10, 15 or 20 years from now.

As enticing as some of the market's high-momentum assets are, the key to building wealth for your child is to stay in the game and avoid the names that could lose big, if not the entirety of their value over a concise timespan.

In this piece, we'll look at two top stocks that you can buy for your child and forget for decades at a time. In 15 or 20 years, such names may have grown in such a way to fund your child's education fund.

CP Rail

CP Rail (TSX:CP)(NYSE:CP) is an intriguing railway following its announced merger with Kansas City Southern. While the expensive deal is likely to act as an overhang on CP Rail's stock price going into 2022, I do think that management, led by CEO Keith Creel, will make the deal worthwhile. There are integration risks, but the potential synergies are nothing short of compelling. Indeed, CP will be the envy of the industry, with its Mexico-U.S.-Canada cross-border rail network. For now, CP should chip away at its debt while rewarding shareholders with continued dividend hikes.

Currently off around 6% from its all-time high, I think CP is an intriguing value for extremely long-term thinkers. The stock trades at 19.8 times trailing earnings, with a modest 0.8% dividend yield. Over the coming years, once headwinds pass, CP could flex its muscles, making the name a top Canadian stock to buy or watch for your child's portfolio.

Spin Master

Spin Master (TSX:TOY) is a children's entertainment company with powerful brands, including Paw Patrol, Hatchimals and Toca Boca. Undoubtedly, physical toys and their robust demand for the holidays have been a top reason to hold the stock, especially ahead of periods of seasonal strength. With a fast-growing digital games business that thrived during pandemic shutdowns, investors should keep watch of the name, especially with the focus on the coming metaverse trend.

Over the next decade or two, the digital games business could grow to be something considerable. With that, I wouldn't rule out Spin stock as a potential multi-bagger over the next decade. The stock has been on a run in 2021, up nearly 70% year to date. Although shares are due for a dip, I would look to be a buyer of such dip as a part of a longer-term portfolio.

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