2 Cheap Growth Stocks to Add to Your TFSA in February

Description

One of the main selling points of a Tax-Free Savings Account (TFSA) is tax-free withdrawals. Canadians have the option to withdraw funds from their TFSA at any point in time, completely free of any tax.

Due to its flexibility, TFSAs are generally thought of when saving towards a short-term goal. Make no mistake, though, TFSAs can be excellent savings accounts for long-term goals, such as retirement.

In addition to tax-free withdrawals, capital gains are also not taxed inside a TFSA. So, if you've got decades until you plan on withdrawing funds, there's no reason why your TFSA cannot be used for retirement savings.

Using a TFSA as a long-term savings account

Dating back to 2009, when the TFSA was introduced, the contribution limit totals $81,500 today. The limit is $6,000 in 2022, but unused contributions can be carried over from year to year.

A grand total of $81,500 likely won't be enough to fully fund your retirement. But if you've got time on your side, the magic of compound interest could grow a maxed-out TFSA into a sizable nest egg.

Compounding at an annual rate of 8%, a lump sum of $81,500 would be worth close to $400,000 in 20 years. In 30 years, it would be worth more than $800,000. Keep in mind that these funds can also be withdrawn completely tax free.

Now, how do you earn an annual rate of 8%? Investing in the stock market is one way to earn that type of return. Fortunately, for long-term investors, now's a great time to be investing. The **TSX** is full of high-quality stocks that are on sale right now.

Here are two top picks that have not only returned far more than 8% a year over the past decade but are also trading at a discount today.

Growth stock #1: Brookfield Renewable Partners

Renewable energy is one area that I'd urge all long-term investors to have exposure to. And with many companies in the sector trading below all-time highs today, now is a perfect time to be investing.

Nearing a market cap of $30 billion, **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP) is not only a renewable energy leader in Canada but across the globe as well.

Shares of the growth stock are up a market-crushing 100% over the past five years and 200% over the past decade. And that's not even including the company's impressive 3.5% dividend yield.

If you're looking to own only one company in the growing renewable energy space, Brookfield Renewable Partners would be my choice.

Growth stock #2: goeasy

goeasy (TSX:GSY) has quietly been one of the top-performing TSX companies in recent years. The growth stock is up close to 400% over the past five years and close to 2,000% over the past decade.

Stocks in the financial sector tend to not be the fastest-growing investments. goeasy has certainly been an exception to that.

The company has carved out a lucrative niche for itself in the consumer-facing financial services market. It offers its Canadian customers a range of different personal loan options.

With shares currently trading 30% below 52-week highs, this is a rare discount that long-term investors would be wise to take advantage of.

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2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:GSY (goeasy Ltd.)

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ndobroruka