TFSA Buy Guide: 2 Stocks to Maximize Your Tax Savings

Description

The Tax-Free Savings Account (TFSA) could be considered the best registered investment account available to Canadians due to the tax savings opportunity it provides.

The Registered Retirement Savings Plan (RRSP) is an excellent tool to help you maximize your savings while minimizing your taxes. However, the account offers tax-deferred growth, and you must repay the tax when you eventually begin withdrawing from that account.

Any contributions you make to a TFSA are through after-tax dollars. While that means you cannot deduct your TFSA contributions from your taxable income, it results in tax-free wealth growth. The added flexibility of withdrawing amounts from your TFSA without incurring penalties or taxes makes it even more attractive for various financial goals.

Today, I will discuss two growth stocks that you could buy and hold in your TFSA to maximize your tax savings by eliminating capital gains tax to take advantage of the long-term growth potential that the assets offer.

Constellation Software

Constellation Software (TSX:CSU) could be one of the best companies to consider if you want to make the most of your TFSA's tax-advantaged status for tax-free capital gains. The Toronto-based $43.05 billion market capitalization diversified software company buys acquires competitive and niche software businesses, helps them maximize their profitability, then harvests the free cash flows to acquire more companies.

Its successful strategy has helped Constellation Software deliver outstanding shareholder returns to its shareholders over the years. At writing, Constellation Software stock trades for $2,028.41 per share, and it is up by almost 2,100% in the last 10 years. While it might not maintain the same growth rate for the next 10 years, it could deliver solid returns as a long-term TFSA holding.

Brookfield Infrastructure Partners

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is another excellent stock you could consider buying and holding in your TFSA for the long run to benefit from tax-free capital gains. The Toronto-based US$25.16 billion market capitalization company that engages in acquiring and managing infrastructure assets worldwide.

Over 70% of the company's portfolio comprises assets with inflation-indexed contracts that can deliver cash flows that keep pace with rising inflation rates. The stock could also be considered an excellent hedge against inflationary environments. At writing, Brookfield Infrastructure Partners stock trades for $75.14 per share, up by 316% in the last 10 years.

Brookfield Infrastructure Partners stock might not offer the same high-growth rates as other growth stocks but offers reliable returns that could make it a suitable long-term TFSA holding.

Foolish takeaway

There are no tax liabilities on you for any interest, income, and capital gains you earn in a TFSA. You choose when you can withdraw from the account, and you do not have to report the withdrawals or pay taxes on them. These qualities make a TFSA an excellent financial instrument to help you achieve various short- and long-term financial goals.

Suppose that you are looking for a way to grow your wealth through capital gains but you want to minimize the impact of capital gains tax. In that case, you can use some of the available contribution room in your TFSA to invest in and hold growth stocks.

Brookfield Infrastructure Partners stock and Constellation Software stock could be two such stocks you could consider for your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:CSU (Constellation Software Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/14
Date Created
2022/03/01
Author
adamothman

Footer Tagline