2 Cheap, High-Growth Stocks to Buy in Your TFSA Today

Description

Tax-free withdrawals are what I'd consider being the main selling point of a Tax-Free Savings Account (TFSA). While the flexibility of being able to withdraw funds at any time you'd like, completely tax-free, is great, it's the tax-free compounded gains that really excite me.

All capital gains and dividends earned within a TFSA are not taxed. Meaning investments can grow year after year without ever needing to pay any tax at all.

Investing in growth stocks in a TFSA

The annual TFSA contribution limit in 2022 is $6,000 but the total limit, dating back to 2009, is $81,500. Don't worry if you're behind on your TFSA savings; unused contributions can be carried over from year to year.

Let's look at an example of how strong the power of compound interest can be. If a maxed-out TFSA of $81,500 were kept in a high-yielding savings account earning 1.5% a year, it would be worth close to $110,000 in 20 years. In 30 years, it would be near $130,000.

Now, let's look at an example of a maxed-out TFSA that's invested in stocks, earning an average annual return of 8%. Within 20 years, $81,500 would be worth close to $400,000. In 30 years, it would total more than $800,000.

If you're looking to maximize your TFSA returns, now is as good a time as any to invest in the Canadian stock market. Volatility may be high, but there's no shortage of market-leading growth stocks trading at a discount right now. Here are two top picks to put on your watch list this month.

Canada's most under-the-radar growth stock

goeasy (TSX:GSY) has quietly been one of the top-performing **TSX** stocks in recent years. Shares are up close to 400% over the past five years and more than 1,500% over the past decade.

The $2 billion company provides all kinds of loans to consumers across the country. Home and auto are two areas of focus for goeasy, but Canadians have access to a range of different loan options from the company.

Rising interest rates may be one of the reasons why goeasy is trading at a discount right now. The growth stock is down more than 30% from 52-week highs. Interest rates are expected to rise in the coming year, which may slow the demand for personal loans.

In the short term, rising interest rates may lead to a slowdown in growth for goeasy. But if you're investing for the long term, I'd treat this as a rare buying opportunity. Canadians haven't had many chances to invest in goeasy at a discount like this over the past decade.

Investing in telemedicine

Speaking of industries with slowing growth, most telemedicine stocks are trading far below all-time highs today. The pandemic initially created a surge in demand for telemedicine services, but growth has understandably slowed since 2020.

As a huge bull on the long-term growth potential of telemedicine, **WELL Health Technologies** (TSX:WELL) is near the top of my watch list today.

The $1 billion company was a four-bagger in 2020 alone. Today, the growth stock is trading more than 50% below all-time highs.

I wouldn't expect 2020 -growth levels to return anytime soon for telemedicine stocks. But if you're bullish on the rise of the virtual healthcare market and have a long-term time horizon to invest, now is an excellent time to put your cash to work.

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1. TSX:GSY (goeasy Ltd.)
2. TSX:WELL (WELL Health Technologies Corp.)

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