TFSA Investors: Make 3 Changes in Your TFSA Portfolio

Description

Every TFSA holder may have a different approach to their TFSA. They may use the account purely for cash, which is highly advised against. That's because cash in TFSA, even with a relatively healthy interest rate, cannot help you beat inflation. And even Canadians that invest in their TFSAs might consider making positive changes in their portfolios.

Replace cash with dividend stocks

Many TFSA holders, including the ones that have invested a healthy portion of their TFSA funds into different stocks, tend to keep cash for a rainy day. However, stocks can be just as liquid, and you can sell them almost instantly to produce cash to meet your emergency needs. And if you use that cash to buy a generous dividend stock like **True North Commercial** (TSX:TNT.UN), you may *build* a sizeable cash reserve within your TFSA.

For example, if you have about $20,000 tucked away in your TFSA for a rainy day (in cash), and you use it to buy shares of the REIT, it will generate over $1,600 in cash through dividends. In five years (assuming no dividend cuts), you will have a small cash nest egg of about $8,000. As for your original capital, True North is a relatively stable stock, and, unless you are selling during a market crash, you will likely sell for a relatively insignificant profit or loss.

Add a little bit of risk

A conservative investment approach is healthy, but being too cautious can cost you in terms of lost opportunities. So, it's a good idea to invest (a relatively small amount) in a risky stock like **Organigram** (TSX:OGI)(NASDAQ:OGI). It's not risky because of some fundamental financial weaknesses. Rather, the marijuana industry as a whole is currently riddled with uncertainty.

At its peak, the stock traded at about $7.9 per share. If you buy it at a current price ($1.47) and invest $5,000 in the company, which is a small portion of a fully stocked TFSA, you will get about 3,400 shares of the company. And if the stock rises to its peak valuation in the future and you sell it at the right time, you can grow your capital to over $25,000. Even if it happens *after* a decade, it would still beat *most* conservative growth stocks.

Don’t disregard long-term holdings

A lot of investors have different approaches to their TFSA and RRSP: for example, short-term holdings in TFSA and long term in RRSP. And while it’s a good idea to keep rapidly growing stocks in an account, you have access to before retirement, that doesn’t mean your TFSA portfolio shouldn’t have long-term holdings at all, especially if you have decades yet to grow.

A long-term buy-and-forget stock like **Royal Bank of Canada** (TSX:RY)(NYSE:RY) can be a powerful asset in your TFSA. It’s a reliable grower and a part of your portfolio that you don’t need to touch, so the growth will keep on accumulating. And if you don’t want to cash in the dividends, opting for a DRIP program will ensure that your stake in the bank keeps growing.

Foolish takeaway

Your TFSA can be a powerful financial asset or merely a cash “drawer” from which inflation swipes away a few bucks every month. It’s your investment choices and the chances you are willing to make in your investing approach that can ensure that it becomes an asset.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:OGI (OrganiGram)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:OGI (OrganiGram)
4. TSX:RY (Royal Bank of Canada)
5. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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
2025/07/20
Date Created
2022/03/09
Author
adamothman