TFSA Investors: 3 Top TSX Stocks to Create Solid Long-Term Wealth

Description

When you sell an investment at a profit, you must pay a capital gains tax. So, the resultant net profit after tax will be lower. In the case of the Tax-Free Savings Account (TFSA), capital gains, as well as dividend payments, are tax free. As a result, there is no falloff when you redeploy your capital. The accumulated amount in the TFSA, say, after 10 years, will be significantly large compared to the taxable amount, as, in the prior's case, compounding takes place at a higher base amount.

The TFSA contribution limit for 2022 is $6,000. If you have not contributed to the TFSA so far, the accumulated limit extends to $81,500.

Apart from the tax benefits, the TFSA encourages disciplined long-term investing, which is its prime advantage.

If you've invested $5,000 consistently in Canadian stocks via a TFSA since 2009, you could have accumulated $122,000 today, assuming average returns of 10% CAGR. Note that the invested amount over 13 years is only $65,000.

Here are some of the TSX stocks you can consider investing in through TFSA for the long term.

Enbridge

Canada's energy pipeline giant **Enbridge** (TSX:ENB)(NYSE:ENB) stock delivered 10% CAGR returns in the last decade. Though it belongs to the risky energy sector, it operates a relatively stable business model and earns stable cash flows.

Enbridge generates a fee for oil and gas volumes transported through its pipelines. Such cash flow visibility facilitates stable dividend payments. That's why it has increased its shareholder payouts for the last 26 consecutive years. Note that ENB stock currently yields 6% — one of the highest among TSX giants.

Enbridge's strong balance sheet and predictable earnings make its dividends more reliable. Even if oil and gas prices fluctuate, the company will likely keep paying stable and growing dividends, as it has done in the past.

Nuvei

Fast-growing fintech company **Nuvei** (TSX:NVEI)(NASDAQ:NVEI) looks attractive after its steep fall. A short report, valuation concerns, and broad market weakness have weighed on NVEI stock and brought it down by more than 50% in the last six months.

However, the payment-processing company Nuvei looks well placed to deliver robust financial growth in the next few years. The company caters to a large addressable market and is forecast to grow its revenues by over 30% CAGR in the long term. In 2021, Nuvei almost doubled its revenues relative to 2020.

But beware: NVEI is a growth stock and relatively riskier than defensives like ENB. Nuvei offers higher return potential, but, at the same time, you should have a high-risk appetite for its large price swings.

Canadian Natural Resources

Canada's oil and gas producing bigwig, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), is my third pick for today. Oil has been rallying for the last few months and has immensely boosted energy companies' earnings. Canadian Natural is also one of them.

It has a strong balance sheet with a large cash position. In addition, higher energy commodity prices will keep uplifting its earnings for the next few quarters. CNQ stock has doubled since last year and currently pays stable dividends that yield 4%.

Driven by rallying oil prices, it will likely keep delighting shareholders with its superior earnings and solid dividends.

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2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:ENB (Enbridge Inc.)
6. TSX:NVEI (Nuvei Corporation)

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