Millennial Retirement Planning: 2 Top TSX Stocks for Your TFSA

Description

The “sell in May and go away” atmosphere is putting some investors on edge. However, in reality, the selloff has been going on for months already. A number of stocks have hit new heights in late 2021 after rallying from the 2020 pandemic market crash. Since the new heights in 2021, many of these stocks have been silently correcting months before May came along.

Instead of timing the market, millennial investors with their sights set on retirement planning should take a step back and look at the big picture. Time in the market will allow your investments to grow your wealth if you choose to partner with wonderful businesses for the long term.

$0 trading fees offered by online brokerages like Wealthsimple and **National Bank of Canada** make it really easy for investors to diversify on day one. It has never been so easy and cheap to build positions in great stocks!

There’s also no excuse not to take full advantage of your Tax-Free Savings Account (TFSA) to get tax-free gains. This year, investors have a contribution limit of $6,000. You would have more TFSA room if you have unused contribution room from previous years or have made TFSA withdrawals from previous years that you haven’t re-contributed.

Buy secure dividend stocks to get tax-free passive income

Conservative millennial investors can consider buying secure dividend stocks in their TFSA for passive income. Canadian bank stocks have retreated to about where their 50-week simple moving averages are. Moreover, they trade at fair to undervalued valuations that make them solid investments for long-term stable returns.

In particular, **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) offers the highest yield of 4.9% among the Big Six Canadian bank stocks. At writing, at $81.66 per share, it trades at about 10 times earnings, which is a decent discount of roughly 12% from its long-term normal valuation of about 11.4 times earnings. The 12-month analyst consensus price target of $96.49 suggests a greater discount of 15%.

In any case, the value stock's dividend is safe with a sustainable payout ratio that's estimated to be below 50% of this year's earnings. If you're concerned about the "sell in May" scenario, you can see if it'll fall to and hold at about $75, which is a strong support level for the high-yield bank stock.

Turbocharge your TFSA with high growth

Millennials who have a higher risk tolerance can take a closer look at **goeasy** (TSX:GSY). The consumer lender lends to people who typically cannot borrow from other traditional methods. Of course, goeasy charges higher interest rates for taking greater risks.

The growth stock has increased its adjusted earnings per share by about 17% per year since 2007, which was right before the global financial crisis. Despite the setback of a double-digit earnings decline during the crisis, it was still able to put forth that incredible growth rate.

Since 2007, the growth stock has delivered annualized total returns of approximately 14%, even though its multiple compressed from about 19 to 11 times earnings. The goeasy example demonstrates that it's critical for investors to have a long-term investing mindset and not be fixated on temporary hardships of businesses when they occur.

Additionally, goeasy offers a competitive yield of about 3.1% at writing. It has also been increasing its dividend with a 10-year dividend-growth rate of 27%, which is exceptional. The 12-month analyst consensus price target represents a substantial discount of about 45% in the solid growth stock. Based on its long-term normal valuation, though, the stock is undervalued by about 12%.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:GSY (goeasy Ltd.)

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kayng