



Convert \$50,000 Into \$500,000 in Tax-Free Income With 4 TFSA Stocks

Description

The Tax-Free Savings Account (TFSA) is a boon the Canada Revenue Agency (CRA) gave to investors. You will rarely see [a savings account](#) that allows your investment to grow tax free and allows you to reap the benefits tax free.

Whether you earn money from interest, dividends, or capital appreciation, you don't need to report this income when filing taxes. So, if you invest \$50,000 today in the TFSA, you pay tax on that \$50,000. But if your investment compounds to \$550,000, the \$500,000 in investment earnings is tax free. Hence, I recommend buying high-growth and high-dividend stocks through the TFSA.

Four TSX stocks to build a \$500,000 TFSA portfolio

Your investment should generate an average annual return of 15% for 17 years, or 27% for 10 years to convert \$50,000 into \$550,000. Not all growth stocks can give returns as high as 27% for 10 years, unless you buy them in a dip. The recent [market pullback](#) has created such an opportunity.

I wouldn't recommend not putting all your TFSA money in high-risk [growth stocks](#), as you don't get any tax benefit if you lose money. Hence, diversify your portfolio into lower-risk stocks in a long-term uptrend and high-risk stocks investing in future growth trends.

Lower risk stocks

Descartes Systems ([TSX:DSG](#))([NASDAQ:DSGX](#)) is a growth stock that is in a long-term growth trend. In the last 10 years, it surged at compounded annual growth rate (CAGR) of 30%, higher than our desired rate of 27%. This growth came when the global supply chain and e-commerce flourished.

Now, past performance does not guarantee future returns. But supply chain management will continue to grow as e-commerce expands and the Russia-Ukraine war complicates trade. Descartes has dedicated solutions for global trade, domestic trade, and e-commerce. The stock is currently down over 30% from its 52-week high. Buying the dip can accelerate your growth rate.

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is not a growth stock, but it carries lower risk. It is one of the Big Six Canadian banks with the largest exposure to the United States. TD Bank provides retail, commercial banking solutions, wealth management and insurance, and investment banking solutions like debt and equity issues, mergers, and divestitures. Banking is one of the core businesses that will stay and evolve with time and trade.

As it is a leading player in the core sector, TD Bank gives regular dividends. Its [dividend increased](#) at a five-year CAGR of 12%. As banking evolved, the stock surged at a 10-year CAGR of 10%, which is below our desired growth rate, but the 3.7% dividend yield fills the gap. The stock is down 14.5% from its 52-week high over fears of recession, but it would rise as the economy recovers.

High-risk TFSA stocks

You can mix low-risk stocks with high-risk growth stocks, depending on your risk appetite. **Nuvei** ([TSX:NVEI](#))([NASDAQ:NVEI](#)) is a digital payment platform that facilitates global payments through cryptocurrency, cards, and other forms. The stock started trading in 2020, so there is no historical performance to analyze. But it is in a [market](#) that is expected to surge at a CAGR of 20.5% between 2022 and 2030.

Nuvei is not a market leader and has to face tough competition. But it is growing rapidly, with organic revenue and adjusted EBITDA growing 32% and 40%, respectively. This is the first-quarter data, which was affected by early effects of the recession (slowdown in e-commerce sales and weakness in crypto).

The proliferation of e-commerce during the pandemic pushed the stock up 272% in a year, but the pandemic recovery pulled the stock down 63%. This kind of short-term volatility makes it a high-risk stock. But it has the potential to grow at a CAGR of more than 30% by 2030.

Ballard Power Systems ([TSX:BLDP](#))([NASDAQ:BLDP](#)) operates in a relatively new market that is yet to go mainstream. It makes hydrogen fuel cell technology for medium- and heavy-duty vehicles and relies heavily on China. It will take a while for this technology to get government attention, but once it does, it could grow at the rate electric vehicle companies are growing today.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NASDAQ:DSGX (Descartes Systems Group)
3. NASDAQ:NVEI (Nuvei Corporation)

4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:BLDP (Ballard Power Systems Inc.)
6. TSX:DSG (The Descartes Systems Group Inc)
7. TSX:NVEI (Nuvei Corporation)
8. TSX:TD (The Toronto-Dominion Bank)

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Author

pujatayal

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