New to the TFSA? 4 TSX Stocks to Buy With $6,000

Description

The Canada Revenue Agency (CRA) offers a Tax-Free Savings Account (TFSA) to all Canadians over 18. This account is different from other registered accounts, as it gives tax benefits on withdrawals, and there is no lock-in period. This means you can buy stocks today through the TFSA and withdraw in a month, a year, or 10 years, and no tax would apply, as you need not report this income in tax filing.

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However, like all tax-benefit schemes, the TFSA has a contribution limit. For 2022, the TFSA contribution limit is $6,000. The bearish tone of the market, especially tech stocks, has created an opportunity to buy fundamentally strong stocks at attractive discounts.

Four stocks to buy with $6,000 TFSA money

I have picked four TSX stocks that have the potential to generate high capital appreciation and distribution in the next three years:

- **SmartCentres REIT** (TSX:SRU.UN)
- **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX)
- **Magna International** (TSX:MG)(NYSE:MGA)
- **Dye & Durham** (TSX:DND)

SmartCentres REIT

The rising inflation and interest rate have created a recession-like environment, impacting real estate. Toronto home sales fell 27% sequentially in April, even when the average selling price (ASP) fell 3.5%, as per data from the Toronto Regional Real Estate Board. This dip is normalizing the housing market after near-zero interest rates drove house prices to new highs. Even though SmartCentres is a retail REIT, it is expanding in residential properties in Toronto.

The housing market won't significantly impact SmartCentres due to its high exposure to **Walmart-**anchored stores. The REIT survived the pandemic, and it can survive the recession. The stock was hit by the market selloff and fell 12% from its April high. This is a good time to lock in a distribution yield of over 6%.

Descartes Systems

I advocate buying Descartes stock on the dip because of its resilient business model and diversified customer base. The company provides software solutions to manage supply chains and logistics. The global supply chain challenges are only compounding with wars between countries and new trade sanctions. This could increase demand for Descartes's global trade solutions that help companies adjust to the changing trade agreements. This cycle could take time to reflect in the earnings, driving the stock price later this year.

Descartes stock has delivered 30% average annual returns in the last 10 years. Buying the dip can accelerate this growth as trade becomes complex.

Magna stock

You can't get good returns in the future if you invest in current growth. The stock prices reflect the future growth expectations. But the market bearishness gives you opportunities to buy future stocks at a discount. Automotive components supplier and third-party automotive manufacturing provider Magna is one such stock.

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It is prepared to tap the electric and autonomous vehicle (EV/AV) growth trend. But the semiconductor supply shortage followed by inflation, rising interest rates, and COVID lockdowns in China (the largest auto market) pulled back EV growth for some time. Hence, Magna stock dipped more than 35% from its 52-week high. While the year 2022 would be gloomy for automotive, the recovery could see a significant surge in Magna stock as it has invested in the long-term growth trend.

Dye & Durham stock

The tech selloff took all good tech stocks with it, but Dye & Durham is a stock that has the potential to rebound because of the stickiness of its software. The information services and workflow management software provider is in the midst of its biggest acquisition of Link Group. This acquisition will expand Dye and Durham's presence in the U.K. and Australia.

DND stock has dipped 60% in the tech selloff, and it is trading at 10.8 times its forward earnings per share. The valuation could fall further after adding the Link Group. Moreover, a DND survey shows that Canadian legal professionals are becoming more accepting of digital transformation after the pandemic, highlighting organic growth opportunities.

Rarely do you see a tech stock give a regular dividend, but DND gives a 0.5% dividend yield. A 60% discount is too lucrative a price to ignore for a growth stock like DND.

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1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:MGA (Magna International Inc.)
3. TSX:DND (Dye & Durham Limited)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:MG (Magna International Inc.)
6. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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