



## TFSA Investors: 3 Top TSX Stocks to Buy Now for Early Retirement

### Description

Canadians should maximize their Tax-Free Savings Account (TFSA) to plan for early retirement. [What is a TFSA?](#) It's a great tool to help you save tens of thousands of taxes in your lifetime! The TFSA is set up to encourage Canadians to save regularly. All earnings from eligible investments in your TFSA are protected from income tax deductions from the Canada Revenue Agency. Think earnings as in interest income, dividend income, cash distributions, and booked capital gains. Maximizing your TFSA every year can be critical in retiring early.

Investors who have the risk tolerance can look into these top TSX stocks that are good considerations for buying now.

### Any TFSA investor can consider Canadian National Railway stock

**Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) stock has been a solid long-term investment. Since 2007, it has delivered annualized returns of about 13%, which is almost seven times growth in investors' money in the period.

CN Rail is one of two Class I railroads listed on the **TSX**. It enjoys a wide economic moat from the cost advantages it experiences from having a large scale. From 2007 to 2021, it increased its earnings per share by north of 9% per year. Its earnings have increased in most years in the last two decades. Notably, its growth rate can be lumpy with double-digit growth rates in some years. Importantly, the company enjoys high returns — its five-year return on assets and return on equity are 10.7% and 25.2%, respectively.

Along with the recent market downturn, the quality stock has dropped approximately 17% from its 52-week high. It's an opportunistic time to review the stock for Canadian investors. CNR is a conservative, large-cap stock that could fit many investors' diversified investment portfolios. Furthermore, the business will stay relevant for the next decade if not longer. The dip to about \$142 per share to about 20.5 times this year's estimated earnings provides a decent entry point into the wonderful business.

CN stock also offers a yield of just over 2%.

## Canadian Western Bank

**Canadian Western Bank** ([TSX:CWB](#)) is an interesting TFSA idea. It's a safe investment with strong upside potential. It's an appealing dividend stock, because it started paying a dividend in 1992 and has increased it since. In other words, its dividend-growth streak is even longer than the Big Six Canadian bank stocks, which are regulated by the Office of the Superintendent of Financial Institutions and were restricted from raising dividends during the pandemic and the last global financial crisis.

At about \$32 per share at writing, the bank stock trades at a discounted valuation of about 8.4 times this year's earnings. It has the potential to appreciate 50-70% over the next few years. Meanwhile, investors can get an initial yield of about 3.7%. It tends to maintain a payout ratio of under 40%, which provides a margin of safety for its dividend.

## Converge Technology Solutions

**Converge Technology Solutions** ([TSX:CTS](#)) can also result in substantial price appreciation. The [tech stock](#) sold off as much as 54% from its peak during the market downturn. As of writing, it has already bounced back more than 20% from its lows.

The company fundamentals haven't changed. As a small-cap company, it has continued to grow its top line at an exceptional rate, thanks partly to its successful M&A strategy. Its first-quarter (Q1) revenue jumped 77% year over year, which exceeded its three-year revenue-growth rate of 49%. Its three-year adjusted EBITDA growth rate was 79%. And its Q1 adjusted EBITDA growth of 58% remained impressive.

It's a buy-the-dip opportunity in the growth stock now. Analysts believe upside of about 78% is possible over the next 12 months.

### CATEGORY

1. Investing

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