



TFSA Investors: Turn Your \$81,500 Into \$250,000 by 2030

Description

The Canadian government initiated the [tax-free savings account](#) in 2009 to encourage citizens to save more and set money aside tax-free throughout their lifetime. It allows Canadians who are 18 or older to earn tax-free returns on a specified amount known as contribution room. From 2009-2022, the cumulative contribution room for Canadian adults is \$81,500.

By investing the entire contribution room amount in stocks that deliver returns at a compounded annual growth rate (CAGR) of around 15%, you can see your investment blossom to \$250,000 by 2030. Here are my top three picks that are positioned to deliver average annual returns of above 15% for the next eight years.

Algonquin Power & Utilities

First on my list is **Algonquin Power & Utilities** ([TSX:AQN](#)), which has exposure to low-risk utility assets and an expanding [renewable energy market](#). Thanks to solid financials and strategic acquisitions, the company has returned 304% over the past 10 years at a CAGR of 15%. And, I expect the uptrend to continue.

The company has planned to invest around \$4.3 billion this year, which includes acquisitions of New York American Water Company and Kentucky Power Company. From 2023 to 2026, the company plans to invest approximately \$8 billion to expand its utility and renewable asset base. A solid underlying utility business and long-term power-purchase agreements to sell power produced from renewable facilities provide additional financial stability. Also, the company could benefit from the global transition to clean energy.

Supported by robust cash flows, Algonquin Power & Utilities has been raising its dividends for the last 12 years, with a forward yield at 5.42%. Meanwhile, its next twelve months (NTM) price-to-earnings multiple currently stands at 17.2.

Waste Connections

Waste Connections ([TSX:WCN](#)) is a waste management company that has delivered an average return of above 23% per annum for the last 10 years. The company operates primarily in secondary and exclusive markets, resulting in less competition. It focuses on strategic acquisitions to strengthen its market share in specific markets while expanding its presence.

Positioning disposal sites closer to waste generation delivers substantial cost savings related to transportation. As of last December, Waste Connections had 71 municipal solid waste landfills, 12 exploration and production waste landfills, and 15 non-municipal solid waste landfills. The company has signed long-term agreements for the landfills that it operates but does not own, with a weighted average lease expiry of 29 years.

So, given the essential nature of its business, long-term contracts, higher market share, and acquisitions, I expect Waste Connections to continue delivering solid financials and drive its stock price in the coming years.

BCE

Demand for reliable internet services is at an all-time high amid digitization and the shift to remote working and learning. Adding to this, the advent of 5G has created long-term growth potential for telecommunication companies. So, given its growth potential, I have selected **BCE** ([TSX:BCE](#)), one of the top three telecommunication players, as my final pick.

The company has accelerated its investments to expand its 5G and broadband services. BCE management hopes to provide 5G service to 80% of Canadians by the end of 2022 while adding 900,000 new broadband connections. Revenue growth from the media segment due to the easing of restrictions could also drive BCE's financials in the coming quarters.

BCE has been raising its dividends by over 5% for the last 14 years, while its forward yield stands at 5.81%. Its valuation also looks attractive, with a forward NTM price-to-earnings multiple standing at 18.6. Considering its growth potential, high dividend yield, and attractive valuation, I expect BCE to deliver average returns of over 15% in the long term.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:BCE (BCE Inc.)
3. TSX:WCN (Waste Connections)

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