



TFSA Investors: How to Double Your Money This Earnings Season

Description

Earnings season is well underway with top companies across North America beginning to report quarterly results over the past couple of weeks.

Over the next two weeks, I've got my eye on two Canadian [tech stocks](#). **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) is set to report on July 27, and **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) will be reporting the following week on August 4.

Both stocks are down huge this year. As a long-term investor and current shareholder, though, I've been treating this dip as a can't-miss buying opportunity. I've already added to both of my positions in 2022 and may not be done yet.

Earning tax-free, compounded gains within a TFSA

Both my Shopify and Lightspeed positions are held within a [Tax-Free Savings Account \(TFSA\)](#). I'll also add that I don't plan to sell my positions for decades.

Some investors may think of a TFSA as a savings account primarily for short-term goals, whereas the Registered Retirement Savings Plan is used for investments that will be held for the long term.

The reality is, that a TFSA can be an excellent long-term savings account. That's especially true if you're able to earn a healthy annual return.

Investors do need to be aware that TFSAs have a yearly contribution limit. And with the limit set to \$6,000 in 2022, it's understandable why some investors may quickly assume that saving \$6,000 a year won't be nearly enough to reach their retirement savings goal.

The reason individual stocks are the only investments I own within my TFSA is that capital gains are not taxed, meaning that the annual contribution limit may only be \$6,000 this year, but there's no cap on how much you can earn off of that \$6,000.

Any gains earned within a TFSA can be withdrawn at any point in time, completely tax free. Those gains will also not count towards your TFSA contribution limit.

Two tech stocks to have on your radar

Now that we understand the benefits of tax-free gains, let's look at what to invest in within a TFSA.

Shopify and Lightspeed are two high-growth stock stocks that have the potential to continue earning market-crushing returns in the coming decades.

Year to date, Shopify stock is down almost 70%, and Lightspeed is down close to 50%. Still, in recent years, both companies have returned market-crushing returns, even with the selloffs this year.

Despite dropping 70% in 2022, Shopify is still up more than 300% over the past five years. That's good enough for a compound annual growth rate (CAGR) of more than 30%.

Lightspeed's CAGR since mid-2017 is much lower at 7%. However, it's worth noting that Lightspeed is trading 80% below 52-week highs. Six months ago, the tech stock would have been looking at a CAGR of over 40% dating back to the five years prior.

Retiring off of tax-free gains from a TFSA

Let's look at two different examples. First, we'll consider a maxed-out TFSA with \$81,500 invested in a broad-market index fund earning 8% annually. In 20 years, that \$81,500 would be worth close to \$400,000. Instead, let's now assume that the TFSA was funded with growth stocks earning 15% a year. That \$81,500 would be worth \$1.3 million in two decades.

There are two things to remember here. First, the TFSA can certainly be used as a savings account for retirement. It may not be able to fully fund your golden years, but you cannot ignore the huge potential the TFSA has in creating tax-free wealth over the long term.

Second, do not underestimate the degree of importance to which an average annual return can have over the long term. What may seem like a small difference in percentage each year can rack up to a massive difference in total returns.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:SHOP (Shopify Inc.)

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