TFSA Investors: 2 Discounted Growth Stocks to Buy Before 2023

Description

When you are looking into discounted stocks for your TFSA (or RRSP) portfolio, it's essential to try and identify *why* they are discounted. If it's during a market crash, or if the sector as a whole is crashing (like tech has since Sept. 2021), the stock is just being pushed down by its weight.

But if a stock is following a downward trend *against* its sector or the broad market, you should be careful about buying it. Because if it's a fundamental weakness like its financials going down, a competitor decimating its business, or its core products are no longer relevant or in demand (like what happened to **Nokia**), the "discount" might be the start of a permanent decline.

With that in mind, there are two discounted growth stocks that you might consider buying in 2022 because they *might* start recovering in 2023, and you can lose the chance to buy them at a bargain price.

A financial stock

goeasy (TSX:GSY) has been serving a specific market segment — people who can't borrow from the banks because of their credit score. It's a sizeable enough market since at least 7% of Canadians have a credit score that's below average, according to an old Financial Consumer Agency survey. The company also offers home and auto loans to its consumers.

With over 400 locations across the country, it has a footprint more extensive than most credit unions and many smaller banks.

This financial stock saw massive growth after the pandemic — over 640% from its crash valuation to the 2021 peak. And even though it has always been a decent growth stock, this appreciation phase was outside its standard pattern. This expedited growth might have been the reason the stock started falling much earlier than the sector (Sept. 2021 instead of Feb. 2022).

But now that it has been corrected quite close to its pre-pandemic price and the valuation is healthy, it might be a smart buy for the next bullish phase.

A real estate stock

The housing market in Canada is going through a correction, and it's expected to be quite strong, as per **Royal Bank of Canada**. The real estate sector on the TSX is not following this trend, at least not since mid-July. The **Real Estate Index** fell about 25% from the beginning of the year till about mid-June, but it has been steady since then and started rising in mid-July.

And unlike the financial stock above, **FirstService** (TSX:FSV)(NASDAQ:FSV) stock has followed this trajectory quite faithfully, though it slumped much harder than the sector as a whole (nearly 40%). The correction was enough to *almost* negate all the post-pandemic appreciation the stock accumulated.

And even though it's not a guarantee that the growth from here on will be steady or similar to the pre-pandemic growth, there is a decent probability.

That's the reason to buy and hold this stock in your TFSA. The stock may have more leverage and potential to go bullish than some other Canadian real estate stocks because the bulk of its revenues come from its U.S. business. And even though the real estate market there is suffering as well, the extent is not the same as here in Canada.

Foolish takeaway

Ideally, you should try and max out both TFSA and RRSP contribution rooms each year. Because even though the contribution room carries forward, you may lose the time you could have used growing your investment.

But if you are working with limited capital, making a TFSA vs. RRSP comparison, understanding the benefits of each, and evaluating them in the context of your financial and retirement plan, would be an intelligent thing to do.

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