Now's the Time to Load Up the TFSA With These 2 Bargains!

Description

Contrary to what many Canadians may believe, the Tax-Free Savings Account (TFSA) can be an excellent savings vehicle for long-term goals. However, due to the tax-free withdrawals, the TFSA is often associated with savings goals in the short- to mid-term range.

One of the key selling points of a TFSA that's often overlooked is that gains are not taxed, meaning that any growth that's created from within a TFSA can be withdrawn at any point in time, completely tax free. And it's also worth mentioning that gains are not counted towards contributions to the account.

The simple fact that gains are not taxed can completely change the mindset of how a TFSA can be leveraged for long-term savings goals.

Using a TFSA for retirement savings

Let's look at an example of how a long-term investor can benefit from tax-free compounded gains.

Assume that someone has their TFSA completely maxed out with the total contribution limit of $81,500. In a high-yield savings account earning a generous interest rate of 1% annually, that $81,500 investment would be worth about $125,000 in 30 years. Instead, now let's assume that the $81,500 was invested in an index fund of stocks, earning 8% a year. The TFSA would be worth over $800,000 in 30 years. That's not bad for only needing to make a one-time buy today and then not doing anything for 30 years.

As a final example, I'm going to continue using stocks as an investment. Rather than investing solely in an index fund, though, let's assume we also own a few market-beating individual stocks. And with that, the annual return over the 30 years has increased to 10%. That $81,500 would now be worth $1.4 million.

My main point here is that a difference of just a couple of percent in interest over a single year may not add up to a meaningful amount of money to you. But over the long term, as we saw in the lastexample, a difference of just 2% in annual return can lead to a sizable difference in total returns.

With all that being said, I've reviewed two top Canadian stocks that have a long history of delivering market-beating returns. And with both stocks trading at a rare discount, now would be a wise time to load up on shares of both companies.

Two Canadian stocks that are trading at must-buy prices

Recent interest rate hikes have led to a hit in share price for **goeasy** (TSX:GSY). With interest rates rising, consumer demand for loans and lending services has unsurprisingly slowed down.

As a result, the stock is down more than 30% year to date and close to 50% below 52-week highs. Still, goeasy has returned more than 300% over the past five years. In comparison, the **S&P/TSX Composite Index** has returned just 30%.

Descartes Systems (TSX:DSG)(NASDAQ:DSGX) is another market-beating stock to keep an eye on.

The tech company has seen its share price surge 10% over the past month. Despite the recent rally, though, shares are still down 20% from all-time highs set in late 2021.

Descartes Systems Group has been outperforming the Canadian stock market for nearly two decades. And with share price growth topping 150% over the past five years, I'm not banking on the tech stock to begin lagging behind the Canadian stock market's returns anytime soon.

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