TFSA Cash: Turn Your $81.5K Into $330K by 2032

Description

The significant decline in the prices of top TSX presents an excellent opportunity for Canadian investors to leverage their TFSA (Tax-Free Savings Account) cash and invest for the long term. An investment of $81.5K (the total cumulative TFSA dollar limit) in stocks that could grow at 15% CAGR (compound annual growth rate) can turn your cash into $330K by 2032.

Against this backdrop, let's zoom in on stocks that have the potential to deliver average annual returns of over 15% over the next decade.

Aritzia

This multi-channel fashion retailer is known for consistently delivering strong financial numbers that drive its stock price higher. For context, **Aritzia's** (TSX:ATZ) top line has grown at a CAGR of 19% from FY18. Meanwhile, net income grew at a CAGR of 29% during the same period. Thanks to this solid growth, Aritzia stock has grown at a CAGR of 36.7% in the last three years and handily outperformed the benchmark index.

Aritzia is well positioned to deliver solid organic sales and profitable growth. Its investments in product innovation, brand awareness, geographic expansion (growing footprint in the U.S.), and e-commerce platform provide a solid platform for growth. Aritzia is targeting new growth categories, which include increasing its penetration in the men's segment and entering new avenues like intimates and swimwear.

Overall, strong demand for its offerings, omnichannel expansion, solid expense management, and management's focus on debt and boosting free cash flow generation positions it well to deliver stellar returns over the next decade.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) stock is among those tech stocks that plunged and erased all of its pandemic-led gains. This presents a solid opportunity for TFSA investors to buy its stock at prices that are at a multi-year low. Shopify stock created a massive amount of wealth for its investors, and despite an over 77% decline from its peak, it is still up about 310% in five years, representing a CAGR of 32.65%.

Despite the near-term concerns (like the slowdown in e-commerce growth), Shopify is well positioned to capitalize on the structural shift in selling models towards the omnichannel platform. Its investments in POS (point of sale) will expand its offline GMV (gross merchandise volume). Further, its focus on expanding its existing products into new geographic markets bode well for growth.

Shopify is strengthening its e-commerce platform and investing in fulfillment, which will likely accelerate its growth by reducing delivery time and unit cost. Moreover, its partnerships with leading social media companies expand its sales and marketing channels, which will drive its merchant base and financials.

Shopify's growth measures are expected to drive its market share. Meanwhile, the growing adoption of its payments and capital offerings bode well for growth.

Shopify faces easier comparisons in the coming quarters. Moreover, the easing of macro pressure could provide a significant lift to its stock price. Further, Shopify stock is trading at NTM (next 12-month) EV/EBITDA (enterprise value upon sales) multiple of 7.1, which is at a multi-year low, making it attractive on the valuation front.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:SHOP (Shopify Inc.)

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Date
2025/07/02
Date Created
2022/08/16
Author
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