TFSA Investors: 2 Top TSX Stocks to Buy Now for a $6,000 TFSA

Description

When it comes to long-term savings goals, the Tax-Free Savings Account (TFSA) cannot be overlooked. The TFSA's annual contribution limits may not be enough to reach your retirement savings goal. However, when factoring in tax-free compounded gains, if you've got time on your side, there's no reason why a TFSA cannot be used for retirement savings.

Maximizing the benefits of TFSA investing

To truly understand the benefit of tax-free compounded gains, let's look at a couple of examples. The limit for TFSA contributions is $6,000 in 2022, so let's use that for the next two examples.

In the first example, we'll assume that the $6,000 will earn the equivalent of a high-interest savings account, at a generous rate of 1.5%. In 20 years, that $6,000 would be worth just under $10,000.

Let's instead now look at an example where the $6,000 was invested in the Canadian stock market. We'll assume a rate of return of 8%, which could be achieved through investing in market index funds. At an annual return of 8%, $6,000 invested today would be worth $60,000 in 30 years — not too bad for a one-time purchase that required zero maintenance to grow 10-fold.

It's important to remember that all gains made from within a TFSA are completely free from being taxed, meaning that the gains of $54,000 from the second example could be withdrawn at any point in time, without the need to pay any tax at all.

If you're interested in maximizing your TFSA returns, here are two top **TSX** stocks to put on your watch list. Both companies have a long history of delivering well above an 8% annual return.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is as close to an index fund as you'll find on the TSX. The $100 billion asset management company has an international presence that spans a wide range of different industries.

Shares are up just about 350% over the past decade. That's good enough for a compound annual growth rate (CAGR) of more than 15%. At that rate, a $6,000 investment would be worth more than half-a-million dollars in 30 years.

Year to date, the stock has slightly trailed the broader Canadian market's returns. However, shares are up more than 5% over the past month and nearing a 52-week high.

This is a company that doesn't go on sale often. If you're looking to upgrade your TFSA savings, now would be a wise time to pull the trigger.

Northland Power

Renewable energy is one area of the market that I'm extremely bullish on. Demand for green energy resources has continued to rise steadily in recent years, and I wouldn't expect that to slow down anytime soon.

At a market cap of $10 billion, **Northland Power** (TSX:NPI) is a Canadian renewable energy leader.

Excluding dividends, shares are up about 135% over the past decade. Growth is accelerating, though, as the majority of the gains over the past decade have come within the past five years.

Already at a CAGR of close to 15% since mid-2017, this is a market-beating stock that TFSA investors would be wise to start a position in sooner rather than later.

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1. Energy Stocks
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2. TSX:BN (Brookfield)
3. TSX:NPI (Northland Power Inc.)

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