



TFSA Investors: Got \$6,000? Here’s How to Power Up Your Portfolio

Description

Every additional percentage of return can lead to impressive growth over time through compounding. The longer the money is invested for, the greater your funds could grow. Tax-Free Savings Account (TFSA) investors have it even better because money grow tax free inside the [TFSA](#), which results in more money in investors’ pockets.

Higher interest rates have improved interest income for low-risk investors. The best GIC rate right now is 4.6% for a non-redeemable three-year GIC. If you’re willing to take on greater risk, the long-term average stock market return is about 7% per year. Outperforming stocks have returned 12% or more per year.

The 2022 TFSA limit is \$6,000. Assuming a \$6,000 TFSA investment every year at these set return rates over decades, you would accumulate the following wealth.

Total TFSA Contribution	4.6% annual return	7%	12%
10 years \$60,000	\$74,073	\$82,899	\$105,292
20 years \$120,000	\$190,212	\$245,973	\$432,315
30 years \$180,000	\$372,306	\$566,765	\$1,447,996
40 years \$240,000	\$657,809	\$1,197,811	\$4,602,549

It goes to show that saving and investing regularly at reasonable rates of returns for long periods of time can result in a significant retirement fund.

Do you have \$6,000 right now? When stocks outperform the market in the long run, investors should take a closer look. Here are a couple of stocks that could potentially power up your TFSA portfolio for the long haul.

When you buy common stocks, you share the company’s profits. Growth stocks **goeasy** ([TSX:GSY](#)) and **Constellation Software** ([TSX:CSU](#)) have delivered exceptionally results versus the market in the past decade. They outperformed the market by 11 times in the period. The graph below shows the

growth of a \$10,000 initial investment in a decade.



Growth stock goeasy

The leading non-prime Canadian consumer lender has grown at an amazing pace in the long run. A percentage of Canadians always need its lending services. Over the years, goeasy has grown its brands, including making strategic acquisitions. Its brands now include easyhome, easyfinancial, and LendCare.

In the past decade, the lender's revenue compounded by 15.9% annually, translating to earnings-per-share (EPS) growth of 29% annually. At \$130.55 per share at writing, the growth stock is fairly priced at about 11.8 times earnings versus its long-term normal valuation. Analysts think 56% upside is possible over the next 12 months.

goeasy stock has a high probability of achieving more than 12% annualized returns in the long run. For reference, in the past five and 10 years, the growth stock returned about 40% and 36%, respectively, annually. The stock also pays a growing dividend, starting with a yield of about 2.8% today.

Tech stock Constellation Software

Constellation Software is a very well-run tech company. This is reflected in its long-term stock performance, despite the fact that it doesn't increase its dividend regularly. Instead, management primarily allocates its capital to acquisitions to grow the business. The company focuses on acquiring, managing, and building vertical market software businesses.

Its five-year return on assets and return on equity are 10% and 47%, respectively. Its gross profit margin has stayed solidly high at about 89%. In the past decade, its earnings per share (EPS) have increased at a compound annual growth rate of about 25%. For reference, in the past five and 10 years, the growth stock's EPS has compounded at 28% and 37%, respectively, per year.

As a result of its quality and consistency of growth, CSU stock hardly ever goes on sale. At roughly \$2,112 per share, it trades at close to 35 times earnings. But analysts think the [tech stock](#) is still discounted by about 17%. It has a good chance of delivering more than 12% per year in the long run if management continues to execute as it has.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:GSY (goeasy Ltd.)

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Date

2025/09/18

Date Created

2022/08/27

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