3 Top Stock Picks to Buy for a Well-Diversified $6,000 TFSA

Description

It hasn't been the easiest of years for Canadian investors. The **S&P/TSX Composite Index** has had trouble in 2022 deciding whether it's trying to please the bulls or the bears. With all the macroeconomic headlines, though, it hasn't been all that surprising to see the volatility this year.

I wouldn't blame short-term investors for being hesitant about investing today. Long-term investors, however, don't need to be as concerned with the market's recent volatility. Instead, investors with long-term time horizons have the luxury of taking advantage of some rare buying opportunities on the TSX.

Maxing out your TFSA in 2022

The Tax-Free Savings Account (TFSA) is an excellent choice of an account to hold stocks for the long term. The annual contribution limits are far lower than the Registered Retirement Savings Plan (RRSP), but the tax benefits highlight why the TFSA can be a wise choice for retirement savings.

While a $6,000 annual limit may not seem like enough to fully fund your golden years, the tax-free compounded growth can help change that perception.

At an annual rate of return of 10%, $6,000 invested today would be worth over $100,000 in 30 years. If an additional $6,000 was added each year, you'd be sitting on a nest egg worth over $1 million in 30 years. And best of all, there's no need to pay any tax at all on those gains.

To help get you started, I've put together a list of three top Canadian stocks. The three companies are all very different from one another, making it a perfect basket of stocks to build a well-diversified portfolio around.

Toronto-Dominion Bank

The Canadian banks have been amongst the most dependable TSX stocks for decades. Whether you're looking for dependability, growth, or passive income, the Big Five are a perfect place to start your search.

At a market cap of $155 billion, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is Canada's second-largest bank.

The bank's annual dividend of $2.75 per share yields above 4% at today's stock price.

Growth rates may not be off the charts, but this is a TSX you can count on year after year, while also earning plenty of passive income.

Shopify

At the opposite end of the growth-potential spectrum is Canadian tech giant, **Shopify** (TSX:SHOP)(NYSE:SHOP).

Alongside many other high-growth tech companies, Shopify has taken a hit as of late. The stock is down more than 70% year to date. Still, shares are up a market-crushing 200% over the past five years.

Even with the recent discount, this is not a cheap stock from a valuation perspective. As a result, I wouldn't bet on volatility slowing down all that much just yet. But if you're looking for a top tech stock with loads of market-beating growth potential, Shopify is trading at a massive discount that I'd suggest taking advantage of.

Northland Power

To round out this basket of TSX stocks, I've included a company that balances out TD Bank and Shopify.

Northland Power (TSX:NPI) can be a passive-income generator while also driving market-beating runs.

The company's dividend is currently yielding upwards of 2.5%. On top of that, the stock has returned 90% over the past five years. In comparison, the S&P/TSX Composite Index has returned only 30%.

If you're bullish on the continued rise of renewable energy, this TSX stock is a perfect choice for long-term investors.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
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Date
2025/08/27
Date Created
2022/08/30
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