



Top 3 TFSA Stocks for 2023

Description

We're nearing the end of 2022, which means it's time to start preparing for more room in your [Tax-Free Savings Account \(TFSA\)](#). In previous years, the government has expanded the TFSA contribution room by \$6,000. In my opinion, this is likely to be repeated in 2023.

Here are the top three TFSA stocks that are on my radar for next year.

TFSA stock #1

Canadian Tire ([TSX:CTC.A](#)) is susceptible to the economic cycle. This might explain the stock's underperformance this year. CTC is down 9% year to date, which is roughly the same as the TSX Index over the same period.

The company delivered disappointing second-quarter results whereby net income was down 31% year over year to \$177.6 million. The decline is attributed to weakness in the financial services division. The company projects expected credit losses of \$868.4 million compared to \$811.7 million a year ago.

Meanwhile, Canadian Tire inventories are up 18% compared to the same period last year owing to a late start to warm weather sales and early shipment of fall.

However, management is bullish, reiterating that the credit card portfolio continues to do well amid the challenging economic conditions. Despite the year-over-year decline in net income amid deteriorating economic conditions, Canadian Tire is a solid play for dividends. The company offers a robust 3.51% dividend yield.

In addition, the stock is currently trading at a discount after the 9% year-to-date decline. The stock now trades at a [price-to-earnings](#) multiple of nine. As the storm clears and the economy stabilizes in 2023, Canadian Tire could see its valuation adjust higher.

Keep an eye on this TFSA stock.

TFSA stock #2

Constellation Software ([TSX:CSU](#)) is another TFSA stock that could have an excellent 2023. The company's growth model is based on acquisitions. Over the past 30 years, it has acquired over 300 small- and mid-sized software firms with niche services to expand its portfolio.

This year, the team has doubled down on this strategy. Constellation Software has deployed over \$1 billion in acquisitions in just the first half of 2022. As valuations in the tech sector remain suppressed, this pace is likely to continue.

The impact of this year's purchases will be fully realized by next year. Constellation's expanded portfolio should lead to higher cash flows in 2023. Meanwhile, the valuation of enterprise software firms should recover to its long-term average. That means CSU is an ideal TFSA stock for investors seeking growth opportunities.

TFSA stock #3

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is another excellent TFSA stock for next year. The company owns and manages one of the largest networks of oil and gas pipelines in North America. This year, the team has committed more funds to expand this network, as some of North America's energy is being exported to Europe to mitigate its energy crisis.

This is a long-term problem, which means Enbridge has several years of robust demand ahead of it. That's probably why the management team expects dividends to grow 6% on average for the next few years.

Enbridge currently offers a 6.6% dividend yield. That's double the stock market's average and much higher than a typical savings account. I believe the yield could be even higher in 2023. That's why investors should add this TFSA stock to their dividend watch list.

CATEGORY

1. Investing

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1. NYSE:ENB (Enbridge Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:CTC.A (Canadian Tire Corporation)
4. TSX:ENB (Enbridge Inc.)

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