TFSA in 2022: Turn $81.5K Into at Least $427K by 2030 With 2 Growth Stocks

Description

With most high-growth TSX stocks losing considerable value, buying the dip in a few high-quality ones can generate substantial capital gains in the long term. Further, as capital gains and investment income are tax free in a TFSA (Tax-Free Savings Account), it's prudent to leverage it for investing in stocks, especially in the long run.

Against this background, let's consider two top-quality Canadian stocks with an annualized average annualized return of 23%, implying that an $81.5K (the total TFSA contribution limit) investment in them could turn into $427K by 2030.

Shopify

Amid the fear of an economic slowdown and moderation in growth, investors dumped high-growth tech stocks. Due to the selling, **Shopify** (TSX:SHOP)(NYSE:SHOP) lost significant value in 2022 (down over 77% year to date). Despite this substantial decline, Shopify stock is still up about 188% in five years. This represents an average annualized return of 23.5% during that period.

An investment of $81.5K in Shopify stock with an expected average annualized return of 23.5% could turn into $441K by 2030.

Shopify's past performance doesn't guarantee future returns. However, its low stock price, ability to drive merchant base, investments in growth, and secular sector trends (structural shift in selling models towards omnichannel platforms) indicate that Shopify could recover fast and deliver stellar returns, as the macro environment improves.

It is strengthening its fulfillment offerings and acquired Deliverr, which will accelerate its growth. Further, its investments in POS (point of sale) bode well for growth and drive offline GMV (gross merchandise volume).

Further, Shopify continues to partner with leading social media platforms like YouTube and TikTok to strengthen its social commerce capabilities. This adds more sales and marketing channels and will likely drive its merchant base.

Overall, Shopify stock is poised to reclaim its past highs and deliver stellar returns in the coming years.

goeasy

goeasy (TSX:GSY) offers leasing and lending services to non-prime borrowers. Its stock is down about 32% year to date. Further, it has fallen by over 46% from its highs. This decline in goeasy stocks seems unwarranted, as the company continues to grow its financials at a breakneck pace.

For context, goeasy's revenue has a CAGR of (compound annual growth rate) of 15.9% since 2011. During the same period, its earnings grew at a CAGR of 29.1%. What's more is that goeasy has consistently paid a dividend during this time and increased it at a CAGR of 34.5% in the last eight years.

While uncertainty and macro challenges weighed on goeasy stock, its business continued to deliver solid growth so far in 2022. Its top line increased by 30% in the first half of 2022. Further, its adjusted net income increased by 15%. Higher loan originations, stable credit and payment performance, and operating efficiency drive its revenue and earnings.

Despite the recent pullback in goeasy stock, it is up about 371% in five years. This indicates an average annualized return of over 36%. Thus, an investment of $81.5K in goeasy stock with an expected average annualized return of 36% could turn into $953K by 2030.

Bottom line

Investors should note that the above two stocks are used only as an example. Though both these stocks have solid growth prospects, I'd never recommend investors to put their entire capital into one or two stocks. Instead, investors should diversify their risk by allocating funds to multiple stocks across different sectors.

CATEGORY

1. Investing

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