



Compounding: How to Find the Best Stocks to Buy for Your TFSA

Description

When Canadians begin investing, the focus is always solely on finding the best stocks to buy for their Tax-Free Savings Accounts (TFSAs). However, it's just as important to ensure you have a plan and strategy on how to invest your money in order to take full advantage of the tax-free nature of the [TFSA](#).

And when you consider how powerful [compounding](#) can be in addition to how difficult it is to predict how stocks will move in the short term, it soon becomes clear that the best stocks to buy for your TFSA will be companies that you can hold for the long haul.

How powerful is compounding?

The power of compounding can be truly astonishing, particularly if you give yourself a long timeline to let your money grow, and you grow it at a rapid pace.

For example, if you were to start today with just \$5,000 and save another \$5,000 each year for 30 years, growing it at a compounded annual growth rate (CAGR) of 10% over that time, at the end of the 30 years, your portfolio would be worth over \$900,000, with more than \$750,000 of earnings.

Furthermore, if you continued for another 10 years, 40 years total, your portfolio would be worth a whopping \$2.4 million, with over \$2.2 million of that coming from your earnings.

So, it's crucial to find the best stocks to buy that can earn you these solid returns, buy them for the long run, and give yourself as long as possible to let that capital compound.

And if you're looking for high-quality stocks that you can buy for your TFSA today, particularly ones that have years of growth potential ahead of them, here is one of the best.

One of the best stocks to buy for your TFSA today

Because we want to grow our portfolio consistently each year, we need to look for stocks that can

consistently expand their operations, but also safe stocks that won't lose a tonne of value in adverse market conditions.

That's why one of the best stocks to buy now and hold for years is **Dollarama** ([TSX:DOL](#)). Dollarama is one of the best stocks to buy for your TFSA, not necessarily for the products it sells, but because it offers consumers the convenience of buying so many essential goods at discounted prices.

Therefore, it's no surprise to see a stock like Dollarama rise during recessions or periods of high inflation, such as what we're seeing today.

However, Dollarama has also proven that even as the economy is growing, thanks to its impressive merchandising, it can continue to attract customers that are budget conscious and looking to get the best bang for their buck.

Plus, with a dominant position and a well-known brand in the discounted retail space, Dollarama continues to have years of growth potential, which is why it's one of the best stocks to buy for your TFSA.

In the last 10 years, its sales have grown by 170%, and its net income has increased by over 280%. Therefore, it's no surprise that investors over the last decade have earned a total return just shy of 700%, or a CAGR of more than 23%.

So, if you're looking for some of the best stocks to buy for your TFSA, Dollarama can protect your capital in times of turmoil and, over the long run, should continue to grow at an exceptional pace.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

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