



## 3 Top Canadian Stocks That Could Make You a TFSA Millionaire

### Description

The [Tax-Free Savings Account](#) (TFSA) is an ideal tool for Canadians looking to build long-term wealth for retirement. When you pay no tax on any investment earnings (interest, dividends, and capital gains), you get to keep and re-invest *all* your returns. The more income you keep, the more your capital can be used to invest in more earnings potential.

Given lots of time, all that capital starts to snowball and compound. Time, higher-than-average returns, compounding, and tax efficiency are the ingredients to [long-term wealth creation](#). If you have a decades-long investment horizon, here are three Canadian stocks that could turn an \$81,500 TFSA into millions one day.

### Aritzia: A long growth runway

**Aritzia** ([TSX:ATZ](#)) is a top Canadian women's clothing retailer. Its mantra of "Everyday Luxury" has been resonating with shoppers across North America. For the past five years, it has compounded annual revenue and earnings-per-share growth by 17.5% and 22.7%, respectively!

Aritzia has recently gained very strong traction in the United States. It swiped up several bargain-priced retail locations during the pandemic. Now, these boutiques are producing very high returns. The U.S. has a [retail](#) market that is more than 10 times that of Canada. It has a huge opportunity to scale. That doesn't even factor in international opportunities either.

Aritzia stock has delivered a compounded annual return of 29.8% in the past five years. If it can maintain even just a 25% annual rate of return, a \$27,166 (one-third of your total TFSA contribution) investment could be worth as much as \$770,000 in 15 years!

### Descartes Systems: A buy-and-hold TFSA tech stock

**Descartes Systems Group** ([TSX:DSG](#))([NASDAQ:DSGX](#)) is another great TFSA stock. Given geopolitical tensions globally, transportation routing, administration, and planning is becoming

increasingly costly and complex. Descartes helps solve these problems with its transport networks and software solutions.

Over the past five years, it has annually compounded revenues and earnings per share annually by 15.8% and 26%, respectively. The company earns high recurring revenues and outsized profit margins (+40% earnings before interest, taxes, depreciation, and amortization margins). It has an excellent cash-rich balance sheet, so it can [profit](#) during a recession by buying up other cheap software businesses.

This stock has compounded annual returns by around 21.5% for the past five years. If it can continue growing by a 20% rate for the coming 15 years, a \$27,166 investment could be worth as much as \$418,500.

## Trisura: A little-known TFSA growth stock

**Trisura Group** ([TSX:TSU](#)) is a little-known specialty insurance provider that was spun out of **Brookfield Asset Management** several years ago. It has been very successful at building a surety and corporate risk business in Canada.

It has been funneling excess profits into a fast-growing insurance-fronting business in the United States. The combination of these two businesses has helped Trisura earn higher-than-average 19% returns on equity.

Trisura has amazingly compounded annual revenues and earnings per share by 82% and 39%, respectively, since it was spun out in 2018! Its stock has earned shareholders a 41% compounded annual rate of return since then. Say this stock only earned a 30% annual return going forward. A \$27,166 TFSA investment could be worth \$1,390,500 in 15 years!

## The bottom line

It is probably best to have a more diversified TFSA portfolio than the one suggested above. However, this just demonstrate the power of tax-free compounding over extended periods of time. Combine [smart stocks](#), long time periods, and tax-free returns, and you could quickly turn an \$81,500 TFSA into millions.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:ATZ (Aritzia Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)
4. TSX:TSU (Trisura Group Ltd.)

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1. kduncombe
2. robbybrown

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#### **Date**

2025/08/13

#### **Date Created**

2022/09/18

#### **Author**

robbybrown

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