TFSA Investors: Got $6,000? Here's How to Power Up Your Portfolio

Description

Most investor portfolios are in a sea of red this year. In fact, those losses have mounted in recent weeks, erasing much of the COVID rally. Rather than focusing on the negative, let me offer investors an alternative — if you have $6,000, there's a really great way to power up your portfolio for long term.

Buying low means buying now

As much as everyone hates to revisit the most recent pullback, the market is now down over 13% year to date. And you would need to go back to February of 2021 to find the market trading at the same level.

Ouch.

Fortunately, that drop also means that there are some stellar investments to own that are trading at considerable discounts right now. One such example is **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Scotiabank is not the largest of the big banks, nor is it the most well known. What the bank does have is a strong domestic segment as well as a growing international presence in Latin America. Both provide a solid revenue stream for the bank.

Scotiabank, like its big bank peers, has weathered market slowdowns for well over a century. Despite that stability, the stock has dropped along with the market this year. The stock currently trades at $67, meaning that the price-to-earnings (P/E) ratio stands at just 8.02.

That also means that Scotiabank's already impressive dividend has swelled to a yield of 5.95%. For income-seeking investors with $6,000 to power up your portfolio, that translates into just shy of $360 in income.

Perhaps best of all, TFSA investors can look to reinvest that income until needed, which can provide a significant boost to your long-term portfolio.

Buying defensive minimizes losses

Defensive stocks are must-have components of any portfolio. This becomes evident during a market slowdown like we have now, or even during a prolonged recession. One such example to consider in this regard is **Canadian Utilities** (TSX:CU).

Utilities are among the most stable and defensive investments on the market. As such, they are prime candidates for investors, particularly if you're looking to boost your long-term portfolio.

The utility business model is both lucrative and simple. In short, the utility is bound by a long-term contract to provide a service and receive compensation. Those contracts typically span several decades in duration and provide a recurring and secure source of revenue.

That reliable revenue stream can then be used to fund growth and pay out dividends.

In the case of Canadian Utilities, the company provides a quarterly dividend that works out to a yield of 4.50%. Using that same $6,000 allocated to your TFSA translates into the first-year income of $270. Again, reinvesting those dividends will help fund future growth.

Speaking of growth, there's another key point to note about Canadian Utilities. The utility is the only Canadian Dividend King on the market. This means that the company has provided annual consecutive increases to its dividend going back 50 years.

That factor alone makes Canadian Utilities a must-have stock to boost your long-term portfolio.

Power up your portfolio: Buy something!

When the market turns red, consumers are often left making difficult choices. That includes buying fewer goods or choosing more frugal options. Often, that means shopping somewhere else that has better deals: somewhere like **Dollarama** (TSX:DOL).

Dollarama is the largest dollar store in Canada, with over 1,400 stores scattered across every province. Dollar stores are unique businesses; they tend to do well during downturns and holidays. They also excel during high-inflationary times such as what we're seeing in the market now.

In the case of Dollarama, the company has been no stranger to strong growth over the years. In the most recent quarter, the company reported solid sales growth of 18.2%, which included a 13.2% increase in same-store sales. Overall, those sales totaled $1,217.1 million.

Also worth noting is Dollarama's international presence of 377 stores across several Latin American markets. Those markets offer the huge long-term potential for the company, reflected in the rapid growth across the region.

Unlike the other stocks noted above, Dollarama has surged over 20% year to date. Those solid gains shouldn't mark what is still a huge long-term opportunity for investors to power up your portfolio.

CATEGORY

1. Investing

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1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:DOL (Dollarama Inc.)

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