TFSA Investors: Where to Invest $6,000 This Year

Description

The Tax-Free Savings Account (TFSA) is undoubtedly the best investment tool for long-term investing. TFSA allows capital gain and dividends to grow tax free during the holding period. Even if you are a conservative investor, it makes sense to take exposure to stocks via TFSA. So, here are two such TSX stocks TFSA investors can consider for the long term.

Fortis

Many investors look for a stable passive income with a focus on capital protection. If you are one of them, Canadian utility **Fortis** (TSX:FTS)(NYSE:FTS) is an apt bet.

Fortis is a less-volatile stock that has a stable dividend profile. It pays a decent yield of 3.7% and has increased dividends for the last 48 consecutive years. Even when markets were rough, or the economy was in a recession, Fortis has raised shareholder payouts in the past. This shows reliability and long-term stability.

Fortis generates a substantial portion of its earnings from regulated operations. So, the demand for its utility services does not fluctuate with the economic cycle, facilitating earnings and dividend stability.

FTS stock has been weak this year. It could continue to underperform as interest rates rise. Generally, these two trades inversely to each other. So, FTS might underperform in the next few quarters. But as the cycle inverts and rates move lower, utility stocks like Fortis could gain steam for the longer term.

Fortis has given away around 50% of its earnings annually in the form of dividends in the last five years. Utilities generally have payout ratios in the range of 60-70%. Notably, Fortis aims to increase its dividends by 5-7% annually for the next few years.

Tourmaline Oil

The second-most traded commodity natural gas has been the talk of the world this year. The gas supply woes, especially aggravated after the Russia-Ukraine war, have notably boosted prices this year. As a result, oil is up only 3% since last year, but natural gas is sitting at a decent 25% surge in the same period. So, the Canadian leading natural gas producer **Tourmaline Oil** (TSX:TOU) will be the ultimate beneficiary.

In the last 12 months, Tourmaline Oil has reported free cash flows of $2.2 billion, a massive growth compared to $864 million in 2021. Tourmaline aggressively repaid its debt with these incremental cash flows. Interestingly, it still had cash left after debt repayments. So, it distributed it among shareholders via special dividends.

Despite the recent drop, natural gas seems in the long-term bull trend. Higher expected seasonal demand and geopolitical tensions could keep weighing on the energy market fundamentals. So, Tourmaline looks well placed with its higher production outlook and sound balance sheet.

Including dividends, TOU stock has returned 65% in the last 12 months. Its recent drop could be an appealing opportunity for discerned investors. A strong price environment, improving balance sheet, and potential dividend hikes make TOU a compelling bet in the current markets.

Conclusion

Both the above names currently pay handsome dividends. If you equally invest this year's TFSA limit of $6,000 in these two, it will make $300 in dividends tax free. Besides dividends, their decent capital appreciation will be tax free, even at the withdrawal.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:FTS (Fortis Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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