TFSA Investors: Here's Where to Park That Higher $6,500 Contribution

Description

The market has actually performed not as bad as many may think through October. The S&P 500 was down by just 0.8%, as opposed to its September fall of around 7%. This month, more volatility has provided downside for certain sectors, with Tax-Free Savings Account (TFSA) investors taking among the biggest hits.

That's because the typical TFSA investor focuses on higher-growth stocks. With tax-free capital gains, such stocks are the most beneficial holdings in such portfolios.

For Canadian investors, one top stock that many investors hold for long-term growth is **Shopify** (TSX:SHOP). This is a company that is certainly worth considering, as the market has re-valued lower.

Let's dive into why this is one of the best holdings to put some of that new $6,500 contribution (up from $6,000 this year) into.

One of the fastest-growing Canadian companies

Shopify offers an e-commerce platform for small and medium companies globally. It operates through two branches: Merchant Solutions and Subscription Solutions. The Merchant Solutions allow businesses to acquire efficiency through Shopify shipping, payments, and capital. Meanwhile, the Subscription Solutions help companies conduct business through Shopify's assortment of tools.

Analysts have persistently labelled SHOP as overvalued in recent years. During the height of the speculative stock boom last year, analysts have broadly been correct. The company's sky-high growth rates were expected to continue forever, even factoring in the impressive growth boom driven by the pandemic.

Recent results have shown material slowing from pandemic highs. However, Shopify is still growing. While the company's 2022 numbers may not be what many hoped, the future remains bright for 2023 and beyond. At some point, base effects matter, and I think this is the key story here. Shopify remains one of the fastest-growing companies in Canada due to secular growth trends which haven't ended, they've just taken a breather.

Shopify's earnings make this stock perfect for TFSA investors

For the September quarter, Shopify's earnings beat and surpassed analyst expectations. The company reported a smaller-than-expected loss for that quarter. As a result, SHOP stock shot higher by double digits.

The e-commerce giant lost only two cents per share on an adjusted basis. At the same time, Shopify's revenue grew by around 22% to reach $1.4 billion. This accelerated revenue growth for Shopify followed several quarters of less-than-expected growth.

Analysts expected SHOP stock to report a loss of seven cents per share on revenue of $1.34 billion. Its third-quarter results also included its recently acquired firm Deliverr.

Bottom line

Viewing the broader market dynamics, it's clear that holding SHOP stock here has to be a long-term bet. More downside could be possible in the near term, given how weak the market is right now.

That said, for long-term TFSA investors looking for a place to park some capital-gains free cash, this is among the best places to look, particularly at these lower levels.

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