



Top Stocks for New TFSA Investors

Description

New TFSA (Tax-Free Savings Account) [investors](#) may be putting off their first buys, with the raging bear market that promises nothing but pain and quick losses. Indeed, it's tough to get into markets now that most investors are ready to cut their losses. Instead, they are focusing on alternative investments that may be able to offer returns without all the volatility and risk.

No doubt, it's tempting to consider bonds and other fixed-income securities with the recent rise in interest rates. GICs (Guaranteed Investment Certificates) are starting to look very enticing. Their rates are actually pretty good after offering sub-par 2% or so rates for 12–18-month lock-in periods. With GICs now commanding 4.5% or more for the same timeframe, many [TFSA](#) investors may be wondering if it's a better idea to go with the "safe" play or brave the stock market sell-off with names that are looking quite discounted.

GICs vs. stocks for TFSA beginner investors

Though GICs may get a pretty bad rap with new and young investors, I'm not at all against them. Not at these rates. As the Bank of Canada hikes further, GICs with 5% rates may very well be in the cards. That's a good return compared to a stock market that seems to do nothing but drop. At the same time, locking in your wealth for more than a year while the market stages a comeback could leave you missing out on enormous gains. Further, inflation remains hot at around 7%. Even with a 4–5% GIC, you'll be losing purchasing power unless inflation rolls over quicker than expected going into the new year.

Personally, I think new investors who are feeling cautious can find comfort in both GICs and stocks. For young investors willing to take on more risk for more reward, stocks remain the best game in town in my books! If you've got an investment horizon beyond 4–6 years, I think it makes more sense to go after stocks of businesses you love while they're down and out. Sure, GICs are intriguing, but a 4–5% return may pale in comparison to the type of annualized gains to be had by top stocks over the next 10 years and beyond.

CP Rail ([TSX:CP](#)) and **Waste Connections** ([TSX:WCN](#)) are just two blue-chip studs I'd rather own

over GICs.

CP Rail

CP Rail isn't an exciting play. It's a railway company that helps the Canadian economy move goods around the continent. Crucially, the firm offers a necessary service that's unlikely to be changed over the next decade. With the acquisition of Kansas City Southern, CP is one of the most interesting plays on the health of the North American economy, from Mexico all the way up to Canada!

Certainly, the transcontinental railway has a lot of work to do as it looks to effectively integrate its new rail network. CEO Keith Creel is a brilliant manager who will likely get the job done ahead of schedule. At writing, CP stock is at a new high of around \$108 and change per share. At 34.5 times trailing price-to-earnings (P/E), shares are very pricy, with a lot of earnings growth in mind.

Despite the lofty price tag, CP is still a great long-term play that I'd be willing to bet will outperform bonds and GICs over a five-year timespan. The 0.7% yield may not seem like much, but it's also poised for growth.

Waste Connections

Waste Connections is another great steady Eddie that will power higher over the long haul. The stock is at a new high just shy of \$200 per share, and is likely to keep on roaring into the new year, even with a downturn thrown in. The well-run company sports a 46 times trailing P/E multiple. That's hefty, but for a firm with a recession-resilient growth profile, I'd say the price of admission isn't all that bad.

Like CP, WCN stock has a 0.7%-yield dividend that could grow further.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:VRN (Veren Inc.)
2. TSX:WCN (Waste Connections)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cleona
2. joefrenette

Category

1. Investing

Date

2025/08/16

Date Created

2022/11/29

Author

joefrenette

default watermark

default watermark