TFSA Investors: 3 Solid Stock Ideas for Your $6,500 Limit in 2023

Description

The Federal Government has set the Tax-Free Savings Account (TFSA) limit for 2023 at $6,500. This increase, from $6,000, is the first since 2019. That means eligible Canadians will now have a cumulative TFSA limit of $88,000.

Here are three top stock ideas for 2023.

Fortis

If stable returns with less volatility is what's on your mind, Canada's top utility **Fortis** (TSX:FTS) is an apt bet. FTS might not double your money in a few years like growth stocks, but it will provide stability to your portfolio in uncertain times.

Even if markets crash, stocks like Fortis stay relatively resilient because of their earnings and dividend stability. FTS currently yields 4%, marginally higher than TSX stocks. Its long dividend payment history indicates dependability, which is particularly valuable in these volatile markets. An investment of $6,500 in FTS stock will create an annual dividend of $273. Returns generated within the TFSA, be it capital gains, dividends, or interests, will be tax-free even at withdrawal.

As rate hikes might slow down next year, utility stocks could play well. Utilities are considered "bond substitutes" and underperform during rising rate periods. As a result, FTS stock had been weak, losing almost 25% between April to October. However, it seems to have changed course recently and could outperform if the rate hikes slow or pause.

BRP

Canada's Powersports vehicle maker **BRP** (TSX:DOO) saw a decent recovery last week, gaining more than 10% last week. It reported better-than-expected quarterly results last week, cheering investors.

BRP reported normalized earnings of $3.64 per share, an increase of 146% year over year. The Ski-

Doo and Sea-Doo maker saw solid operational execution that helped beat supply chain challenges during the quarter. The company also upped its fiscal 2023 earnings guidance, which now forecasts earnings growth of 20% compared to last year.

BRP or Bombardier Recreational Products is an $8 billion company that operates in over 120 countries. Its dominant market share in niche verticals bodes well for its business and financial growth. In the last five years, its earnings have grown 34% compounded annually, while DOO stock has returned 130%.

Cenovus Energy

Energy stocks have been the top-performing names this year, with almost 65% returns year to date. One TSX energy name that looks attractive for next year is **Cenovus Energy** (TSX:CVE).

Higher energy prices remarkably increased energy producers' profits in the last few quarters. Cenovus was no exception. For the third quarter of 2022, it reported a net income of $1.6 billion, marking a handsome 192% surge from last year.

Apart from the earnings growth, its massive deleveraging is making the difference. Higher earnings will allow more debt repayments, increasing its balance sheet strength. The company has managed to trim down its debt by $2.2 billion since last year, taking its net debt to $5.3 billion as of Q3 2022.

As Cenovus achieves its debt target, management plans to allocate a higher chunk of its cash to shareholder returns. So, its higher free cash will be distributed via either dividends or share buybacks. CVE stock has returned 77% in the last 12 months, outperforming peer TSX energy stocks.

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