



How I'd Invest in a TFSA Today if I Were Starting Over

Description

Investing in a [Tax-Free Savings Account](#) (TFSA) could help you snowball your savings much quicker due to not having to pay any income tax on any gains generated. While that may sound very appealing, it's also important for investors to know that any losses incurred in a TFSA cannot be claimed as a capital loss. That means TFSA investors need to be very prudent about the sorts of companies they decide to hold in one of these accounts.

In this article, I'll discuss three stocks I'd buy today if I had to start over.

Invest in one of the Canadian banks

I believe your TFSA is a portfolio that should focus on [blue-chip stocks](#). These are companies that are well established and lead their respective industries. Investors can consult the **S&P/TSX 60** for an extensive list of excellent blue-chip stocks to consider in their TFSA. In my opinion, there's one industry that shines brighter than the rest. That's the Canadian banking industry. This is because the Canadian banks are some of the largest and most reliable companies in the country.

Of all the Canadian banks, **Bank of Nova Scotia** ([TSX:BNS](#)) has long been my top pick. This is one of the largest Canadian banks in terms of assets under management, revenue, and market cap. However, what makes this company stand out among its peers is its focus on international growth. As a cherry on top, this company has been paying investors a dividend in each of the past 189 years.

Bank of Nova Scotia stock is currently trading 27% lower than its price at the start of the year. Investors should take advantage of this massive discount.

Turn to utility companies

Investors should also consider buying shares of utility companies in their TFSA. This is because utility companies tend to receive payments on a recurring basis. That gives them a very stable and predictable source of revenue. There are quite a few Canadian utility companies that are worth considering for your TFSA. However, if I had to choose just one, it'd be **Fortis** ([TSX:FTS](#)). This

company provides regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean.

Fortis is very well known among Canadian investors because of its long history of dividend raises. This company has managed to [increase its dividend distribution](#) in each of the past 49 years. That gives it the second-longest active dividend-growth streak in Canada. Year to date, Fortis stock has fallen about 9%. That keeps it relatively close to the performance of the broader market and greatly outperforms many of the most popular Canadian stocks.

Look for companies that can generate a bit of growth

Although I think Canadians should aspire to invest in *safer* stocks in a TFSA, it could also be worthwhile to allocate a small percentage towards stocks that could give your portfolio a bit of a boost via growth. If I had to pick one Canadian growth stock to hold in a TFSA, it would be **Constellation Software** ([TSX:CSU](#)). This company has made a name for itself by acquiring vertical market software (VMS) businesses. It also provides the coaching and resources required for those acquisitions to turn into exceptional business units.

Since its founding, Constellation Software has been led by Mark Leonard. I strongly believe that as long as Mr. Leonard remains with this company, Constellation Software could be a strong stock to hold in a TFSA. Since its initial public offering, Constellation Software stock has gained more than 11,400%. That represents a compound annual growth rate of about 33% over the past 16 years.

CATEGORY

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2. Stocks for Beginners

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2. TSX:CSU (Constellation Software Inc.)
3. TSX:FTS (Fortis Inc.)

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Author

jedlloren

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