



## 3 Stocks You Can Keep in Your TFSA Forever

### Description

The [Tax-Free Savings Account](#) (TFSA) is an ideal place to buy and hold stocks for years, decades, and even forever. All investment income earned in the TFSA has no tax consequence. You can keep all your income inside the TFSA and [compound your returns](#) at an even faster rate.

### Multiply your long-term returns by paying no tax in your TFSA

Let's say you invested the total TFSA limit of \$88,000 on January 1, 2023. If that investment earned a very conservative average return of 5% (the 10-year annual average return of the **S&P/TSX Composite Index**), that initial investment would be worth \$297,000 in 25 years. Give it 50 years to compound, and it could be worth over \$1 million.

If you had to pay tax on those investment earnings, you could potentially lose as much as 1% of your annual return. Lose that annual 1% and 25-year total returns comes closer to \$234,000. Your 50-year total return drops to \$625,000 (a \$375,000 difference).

The point is if you are investing, maximize the power of the TFSA. The second point is to think long term. The longer you are invested, the more your returns snowball. Lastly, you can likely do better than the **TSX Index** by picking up a mix of smart stocks. Here are three I'd consider holding for years in my TFSA.

### A top software stock to buy and hold in your TFSA

**Constellation Software** ([TSX:CSU](#)) is a must own in any TFSA. The company has compounded returns by a 33% annual compounded rate over the past 10 years. That is a 1,664% total return!

Constellation operates and acquires specialized niche software businesses around the globe. Given their essential nature, these businesses produce a tonne of excess cash and are very defensive.

With a -9.6% return in 2022, this stock is still not exactly cheap. However, it has been aggressively [deploying capital](#)

into new businesses (over \$1 billion in 2021 and \$1.7 billion this year).

At some point, all this cash is going to accrete big returns, and shareholders could be set up for some good upside if they have a long investment horizon.

## A top engineering stock

**WSP Global** ([TSX:WSP](#)) is another under-the-radar TFSA stock that has delivered impressive returns. Since 2012, this stock has risen 707% (or 23.2% annualized). WSP is a leading player in the consulting, engineering, and design/architecture industry.

Like Constellation, WSP has grown by consolidating hundreds of engineering and consulting firms around the world. In the past couple of years, it has made some major acquisitions in the environmental space. It is now a leader in this fast-growing segment.

While this stock is not exactly cheap, it is down 15% this year. It is very well managed, and it still has a significant opportunity to grow its business internally and by acquisition.

## A top Canadian retailer

**Aritzia** ([TSX:ATZ](#)) does not have the same history of success as the two above, but it has been a strong performer in the past few years. This TFSA stock is up around 146% in the past three years (or a 34% compounded annual return). It is on the precipice of many good things.

Its “Everyday Luxury” selection of women’s clothing brands have become a mainstay in Canada. Now they are gaining significant traction in the United States. Its U.S. business now makes up 48% of total revenues. However, given that this market is over 10 times the size of Canada, it could become a major contributor to [growth](#) in the future.

Aritzia has a great balance sheet, smart managers, quality merchandise, and an innovative omni-channel strategy. Buy and hold this stock in your TFSA, and it has the potential to multiply your wealth in the decades to come.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:WSP (WSP Global)

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