



Yes, The TFSA Limit Is Rising, But Don't Go Spending It All at Once

Description

The Canada Revenue Agency (CRA) has increased the 2023 Tax-Free Savings Account (TFSA) limit by \$6,500, but do not use up the entire limit in one go. Recessionary fears have made the stock market [volatile](#), creating an opportunity to buy the dip throughout the year. With the \$6,500 TFSA limit, you can invest \$500 per month in the market opportunities and diversify your portfolio. Let's chart out your investment strategy for 2023.

The 2023 stock market and TFSA

The stock market entered 2023 with a lot of uncertainty around interest rate hikes and inflation slowing economic growth. But the market has a funny way of surprising investors. It takes an unexpected turn and that is where the opportunity lies. To make sure your TFSA portfolio win in every market condition, you can adopt a three-pronged approach:

- Diversify your portfolio across asset classes, sectors, and market cap
- Invest smaller amounts regularly
- Never buy a stock near its 52-week high

In 2023, [the oil stocks](#) rally might stagnate as the industry reaches its peak, whereas gold stocks could surge if economic growth slows. It could be a good year for automotive stocks as the chip supply shortage eases.

I am also bullish on real estate and renewable energy stocks that bottomed out in 2022 due to high-interest rates and rising inflation. Given the contrarian momentum of the above sectors, a good mix of these sectors could give your TFSA portfolio the capacity to grow with the economy.

Two TFSA stocks to invest in January 2023

If you bought oil stocks in 2021 and are sitting on a 30%+ profit, now is the time to sell these stocks, as they are unlikely to surpass their June peak when the oil price reached US\$125/barrel. Instead, use

your TFSA contribution room to buy automotive, real estate, and renewable energy stocks while they still trade closer to their 52-week low.

Magna stock

Magna International ([TSX:MG](#)) stock is a large-cap stock trading 25% above its 52-week low but 37% below its peak. It is a buy if you are bullish on automotive.

Last year witnessed the weakest light vehicle sales since 2011 as chip supply issues affected deliveries despite strong demand. [US auto sales](#) fell 8%, but electric vehicle (EV) sales jumped two-thirds and accounted for 5.8% of all vehicles sold compared to 3.2% a year before. Automakers are cautiously optimistic that sales will rebound this year despite rising interest rates and fears of recession.

Magna will benefit from the auto market rebound, especially the EV market, as it has partnered with 24 of the top 25 EV makers to supply components. As the supply chain issues ease, Magna can deliver on the pending orders. Moreover, reopening of China from the COVID lockdown will help Magna bounce back. It has the potential to grow 40–60% in the EV boom like it did in the first half of 2021.

Between November 2020 and June 2021, when the COVID vaccine raised investors' hopes of a revival, Magna stock jumped 75%. But this rally faced a bump from supply chain constraints. The 2023 recovery hopefully will not see any bumps, and the stock could continue to rally past \$120, representing a 50% jump from the current trading price of ~\$82. A 2.9% dividend yield would be an added bonus in the TFSA.

Commercial REIT

True North Commercial REIT ([TSX:TNT.UN](#)) is a small-cap dividend stock that gives you exposure to a different asset class of real estate, quality commercial properties. Like all REITs, True North Commercial REIT took a hit as rising interest rates reduced the fair market value of its investment properties and increased the cost of financing. But it continued to enjoy a 95% occupancy rate that kept rental income flowing, which it used to pay distributions to shareholders.

While the cash flows were stable, higher interest expense increased the distribution-payout ratio at an alarming level of 95%. This level is not sustainable for the long term and could lead to distribution cuts if matters worsen. An ease in interest rates could give relief to True North Commercial REIT and drive its stock price to recovery.

The stock has already rallied 7.5% from its December low. Now is a good time to buy the stock and lock in a 9.9% distribution yield in your TFSA.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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