How I'd Build a TFSA if I Had to Start Over

Description

[Tax-Free Savings Accounts](#) (TFSAs) are very important tools that any finance-savvy individual should take note of. As its name suggests, any returns generated in one of these accounts can be withdrawn tax free. That could help investors snowball their accounts faster, helping them reach financial independence.

However, Canadians are restricted to a certain contribution limit, depending on the age an individual turns 18. If you've never invested in a TFSA, and you turned 18 on or before 2009, then you could contribute up to $88,000.

In this article, I'll discuss how I'd build a TFSA if I had to start over.

Invest in blue-chip stocks

Because Canadians are limited by a contribution limit, I believe investors should be very prudent when it comes to choosing which stocks to hold in a TFSA. With that said, I think [blue-chip stocks](#) could make excellent positions in a TFSA. These companies tend to be well established and lead their respective industries. That leadership positioning could give investors a bit of reassurance should the market take a bit of a tumble.

An example of a great blue-chip stock to hold in a TFSA is **Fortis** ([TSX:FTS](#)). This company provides regulated gas and electric utilities to more than three million customers across Canada, the U.S., and the Caribbean. Fortis stock has done very well for investors in recent years, gaining nearly 29% over the past five years (dividends excluded). Speaking of its dividend, Fortis is known for its long history of increasing its dividend distribution. At [49 years](#), it holds the second-longest active dividend-growth streak in Canada.

Some blue-chip stocks can generate massive returns

Investors looking for a stock that could generate even better returns should consider **Constellation Software** ([TSX:CSU](#)). This company acquires vertical market software (VMS) businesses and provides

the coaching and resources required to turn them into exceptional business units. Since its founding, Constellation Software has acquired hundreds of VMS businesses. Its strategy has proven to be very successful, as investors have seen this stock gain more than 12,700% since it first listed on the market.

Despite those strong gains, I believe Constellation Software isn't close to being done when it comes to growth. The company continues to be led by its founder, Mark Leonard. In my opinion, as long as Mr. Leonard continues to lead this company, Constellation Software could be a great stock to hold. The company also remains committed to innovation. In 2021, it announced that it would finally start targeting large VMS businesses for acquisition.

With a proven business strategy and great leadership behind it, I think Constellation Software is a stock all TFSA investors should consider.

If you're interested in a stock that could skyrocket…

Shopify ([TSX:SHOP](#)) is the final stock that I'll discuss in this article. This is a company that needs very little introduction. It's one of the biggest players in the global e-commerce industry. However, if you haven't heard of it, Shopify provides merchants with a platform and many of the tools necessary to operate online businesses.

Over the past year, investors have turned sour on this company. As a result, its stock has fallen about 46% over that period. However, with e-commerce sales on the rise around the world, I believe Shopify has a tremendous opportunity ahead of it. If the company takes advantage of its leadership position, I think this stock could skyrocket past its previous all-time highs.

CATEGORY

1. Investing
2. Stocks for Beginners

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2. TSX:FTS (Fortis Inc.)
3. TSX:SHOP (Shopify Inc.)

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