TFSA Investors: Where to Invest $6,500 in 2023

Description

The Tax-Free Savings Account (TFSA) contribution limit for this year has been increased to $6,500. It's an amazing tool Canadians have, where they can see their money compound tax free.

Here are three top Canadian stocks to buy in your TFSA for the long term.

Dollarama

Dollarama (TSX:DOL) is a stock that offers a combination of characteristics of both a defensive as well as a growth stock. It notably outperformed in the bull cycle while also outperforming in the last year's bear market.

The Canadian discount retailer's stable earnings growth stood tall through changing business cycles. Along with its massive geographical presence, its efficient supply chain and a wide array of merchandise play well for its financial growth and margins.

DOL stock has returned 25% in the last 12 months and 60% in the last five years. It is a slow-moving stock and has been quite rangebound in the last six months. However, this year as well, it will likely fare well and outperform, driven by its earnings visibility. Its low-but-steady dividends and consistent buybacks indicate a sound balance sheet and potential for stable shareholder dividends.

In the long term, Dollarama's expanding store count in Western Canada and DollarCity network in Latin America could be key growth drivers. While markets might continue to trade volatile, DOL stock is an appealing bet for all kinds of investors.

Canadian Natural Resources

Energy companies continue to look better compared to other sectors, mainly because of their profitability and deleveraging. Canada's largest energy company, **Canadian Natural Resources** (TSX:CNQ), is an appealing bet among peer TSX energy stocks.

CNQ is sitting on record free cash flow growth since the pandemic. In the last five years, its free cash flows have risen by 42% compounded annually. Free cash flow is calculated as cash obtained from operations minus capital expenditure. Free cash flow is used for dividend payments, mergers and acquisitions, and debt repayments.

CNQ has paid billions of dollars of debt in the last year. It has also returned approximately $10 billion to shareholders via dividends and share buybacks.

The trend will continue this year, even if oil prices are not close to triple-digit levels. That's because much of the net debt target is already achieved and so, a large portion of the free cash flow will likely go for dividends and buybacks in 2023.

Fortis

After two growth names, the third one is a pure-play defensive stock: **Fortis** (TSX:FTS). It is a secure, dividend-paying utility stock that has stood strong, be it the pandemic or the 2008 financial crisis.

Thanks to its stable earnings growth, Fortis has increased its shareholder dividends consecutively for five decades. The stock currently yields a decent 4% and aims to raise them by about 5% annually in the future.

Utilities like Fortis lack growth but relatively outperform in bear markets. In the last 12 months, it has returned -4% and 50% in the last five years. These are low-risk, low-return bets, mostly apt for conservative investors. If you prefer stability more than growth, FTS is an apt bet.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:CNQ (Canadian Natural Resources Limited)
2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)

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