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

Description

Introduced in 2009, the Tax-Free Savings Account (TFSA) has gained popularity among Canadian investors. The tax-sheltered status of this registered account allows you to generate tax-free gains for life. Further, you can hold multiple asset classes in your TFSA that includes stocks, mutual funds, bonds, and exchange-traded funds.

The TFSA contribution limit for 2023 is $6,500, increasing the cumulative contribution room to $88,000. So, let's see where you should invest $6,500 right now.

Brookfield Asset Management

One of the largest investment managers globally, **Brookfield Asset Management** (TSX:BAM) should be on your watchlist in 2023. The company offers shareholders a dividend yield of 3% and aims to grow this payout between 15% and 20% annually in the medium term, making the stock attractive to income-seeking investors.

In 2022, Brookfield Asset Management raised US$93 billion in capital from its investor base, providing Bay Street with enough visibility in terms of widening fee-related revenue. Brookfield Asset Management primarily generates revenue from management fees and performance fees.

The investment heavyweight continues to allocate funds to new verticals. In the last 12 months, it raised US$22 billion for an infrastructure fund, while US$9 billion will be allocated towards a private equity fund.

With US$750 billion in assets under management, BAM expects fee-bearing capital to surpass US$1 trillion in the next five years. It also enjoys a zero-debt balance sheet and has US$3 billion in cash that can be deployed to support future growth.

Brookfield Infrastructure Partners

A recession-resistant stock, **Brookfield Infrastructure** (TSX:BIP.UN) currently offers investors a dividend yield of 4.5%. BIP has a diversified base of cash-generating assets and operates in verticals such as utilities, data centres, power lines, and pipelines.

A significant portion of the company's cash flows is regulated or secured via long-term contracts, allowing it to report consistent cash flows across economic cycles.

Brookfield Infrastructure forecasts to grow its funds from operations between 12% and 15% on a per-share basis in 2022, despite an inflationary environment, showcasing the resiliency of its business model. This will also enable Brookfield Infrastructure to grow its dividends between 5% and 9%.

Given consensus price target estimates, BIP stock is priced at a discount of 30%.

goeasy

The final TSX stock on my list is **goeasy** (TSX:GSY), a company that operates in the lending space. While GSY is part of a cyclical industry, it has delivered market-thumping returns to long-term shareholders.

In the last 10 years, GSY stock has returned 1,440% to investors after adjusting for dividends. Down 40% from all-time highs, it continues to trade at a compelling valuation while also offering investors a dividend yield of 2.9%.

Priced at 9.1 times 2023 earnings and a price-to-sales multiple of just over one time, GSY stock is cheap and undervalued. Analysts expect shares of the company to gain over 40% in the next 12 months.

Despite a challenging macro-environment, GSY is forecast to increase sales from $826 million in 2021 to $1.23 billion in 2023. Its adjusted earnings are also expected to expand by 12% annually in the next five years.

Bottom line

Each of the three stocks discussed here is a fundamentally strong company trading at a discount to historical valuations. Further, they also provide tasty dividend payouts, which should grow at a consistent pace over time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BAM (Brookfield Asset Management)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:GSY (goeasy Ltd.)

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