TFSA: 3 Top Stocks to Buy With a $6,500 Contribution

Description

Every Canadian gets an additional chance to contribute to their TFSA (Tax-Free Savings Account) in 2023. This year, the CRA (Canada Revenue Agency) increased the annual contribution limit by 8.3% to $6,500!

The TFSA is the ideal place to save and invest

The TFSA is a great mechanism for Canadians to save and invest. All investment income (interest, dividends, or capital gains) earned in the TFSA is totally tax free. Unlike the RRSP (Registered Retirement Savings Plan), any withdrawal from the TFSA is also tax free.

If you aren't investing through a registered savings plan like the TFSA, you could be losing as much as 10-25% of your investment return just by paying tax. That is why it is never too late to use the TFSA to maximize its tax savings advantages. If I was looking to invest that fresh $6,500 contribution, here are three stocks I'd consider right now.

A top consumer products stock

If you are looking for a unique blend of income and growth, **Jamieson Wellness** (TSX:JWEL) is a stock to put on your TFSA radar. It has some of the best brands for wellness, nutrition, vitamins, and supplements in Canada. Go to any grocery store, and Jamieson's vitamin products are the first you will see.

Over the past several years, Jamieson has benefited from expansion into China. Most recently, it completed an acquisition that will make it a major supplement and vitamin player in the U.S. (a huge addressable market). When I think about COVID-19 and all the other viruses flying around, immune-support is on the top of mind for consumers. Jamieson Wellness should be a direct winner from this trend.

This stock pays a nice 1.8% dividend. It has increased its dividend by a 22% compounded annual rate since its IPO (initial public offering) in 2016. For a stock growing earnings by the mid-teens and a dividend growing even faster, this is an interesting TFSA stock.

An undervalued financial stock

Brookfield Corporation (TSX:BN) did not perform as well as expected in 2022. Its stock is down 15% over the past year. However, this could be an attractive opportunity.

Brookfield is a complex organization. It manages stakes in a broad array of businesses (infrastructure, real estate, renewables, insurance, private equity, and debt) and it also manages money for large institutions.

At times, this can lead the market to underestimate its overall value. Right now, it trades nearly 25% below its estimated value. Management (who are heavily invested alongside shareholders) are incentivized to unlock value.

One could suspect substantial share buybacks may occur this year. The company still has plenty of opportunities to grow, so patient TFSA investors could end up doing very well.

A top TFSA stock for income

If you are just looking for some solid dividends and stable growth, **TELUS** (TSX:T) is a great stock for a TFSA. TELUS is the second-largest telecommunications provider in Canada. This business generates predictable mid- to high single-digit earnings growth. Likewise, it has grown its annual dividend by around 7-8% for a more than a decade.

TELUS is nearing the end of a large investment cycle. After, it is expecting to earn an outsized level of excess cash. If management does what it says, that should come back to shareholders in the form of 7-10% annual dividend increases for a few years to come.

TELUS also has some optional growth through its digital businesses in customer experience, agri-tech, and virtual healthcare. With a 4.9% dividend yield, it looks like decent value for a TFSA addition.

CATEGORY

1. Investing

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1. TSX:BN (Brookfield)
2. TSX:JWEL (Jamieson Wellness Inc.)
3. TSX:T (TELUS)

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Author
robbybrown