



2 Stocks I'd Buy With a \$6,500 TFSA Contribution

Description

Canadians get to contribute a fresh \$6,500 to their TFSAs ([Tax-Free Savings Accounts](#)) in 2023. The TFSA is the only [registered account](#) where you pay no tax on the income/gains earned in the account or when it is withdrawn. It's a great opportunity to add some long-term investments to your portfolio for 100% tax-free compounding.

The TFSA can be a perfect “coffee can” portfolio

I like to think of the TFSA as my “coffee can” account. In essence, I plan to hold my TFSA stocks for many, many years.

I try to avoid tinkering with that portfolio too much, so I can allow the companies to compound value for me. It's a boring investment approach, but it has paid off well for many patient long-term investors.

If a very boring, long-term, passive investment approach is appealing to you, here are two Canadian [blue-chip stocks](#) that might be worth buying with the recent \$6,500 TFSA addition.

Canadian Pacific Railroad: A defensive stock for long-term TFSA investors

The first stock to consider adding to your TFSA portfolio is **Canadian Pacific Railway** ([TSX:CP](#)). Frankly, CP operates a straightforward, boring business. It provides essential rail and transportation services across Canada. Its rail infrastructure is impossible to replace. That provides very strong pricing power and an attractive competitive moat.

Even though railroading isn't a flashy business (say like a technology stock), CP has delivered impressive results. Over the past 10 years, its stock has delivered a 376% total return. That is a 16.25% compounded annual return!

For the past decade, CP has consistently been one of the most efficient and profitable railroads in

North America. It has compounded earnings per share growth by close to 16%. The enticing thing is that CP could become a lot bigger if its [acquisition](#) and integration of Kansas City Southern Railroad gets approved by U.S. regulators.

CP would have the only rail network that connects Canada, the U.S., and Mexico on a single line. Obviously, the company sees substantial synergies and opportunities to grow from this.

Right now, CP stock trades at 23 times earnings, which is certainly not cheap for a blue-chip stock. However, if it can achieve its plans, there could be considerable upside for this TFSA stock in the years to come.

Alimentation Couche-Tard: A great stock for long-term compounding

Alimentation Couche-Tard ([TSX:ATD](#)) is another solid stock to consider for a long-term hold in any TFSA. Like CP, its business is pretty boring. It operates 14,000 convenience stores and gas stations across Canada, the U.S., and Europe. However, there is nothing boring about 22% compounded annual total returns over the past decade.

It provides essential products and services (like fuels, foods, and convenience products), so, naturally, it has a [defensive business](#). The company has a knack for making smart acquisitions and investing wisely to maximize returns.

Earnings per share has compounded by 20% annually over the past 10 years. Couche-Tard tends to generate a lot of excess cash, which it has been using to buy back a tonne of stock. It has lowered its stock count by almost 10% since 2020. At 16 times earnings, this stock looks reasonably priced for a new TFSA addition, even today.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News

9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. robbymbrown

Category

1. Investing
2. Stocks for Beginners

Date

2025/08/11

Date Created

2023/02/15

Author

robbymbrown

default watermark

default watermark