



2 Top TSX Stocks for TFSA Investors to Buy Now

Description

Now that it is 2023, Canadians have permission to add \$6,500 to their TFSA ([Tax-Free Savings Account](#)). This contribution is 8.3% higher than 2022, so it is another great opportunity for Canadians to invest and grow their wealth tax free!

Don't waste your TFSA on high-interest savings plans

If you have a long investment horizon, don't waste your TFSA contribution space on high-interest savings accounts or GICs (Guaranteed Investment Certificates). Even though savings interest rates are significantly higher in 2023, they are hardly beating inflation. It is a shame to use all your tax-free benefits on low-return investments.

Given its tax-free nature, the TFSA is the ideal place to buy stocks in high-quality quality businesses and let them compound returns for years. Those incremental dollars that you save from not paying tax can be worth significant dollars if they have years to be re-invested and compounded.

If you are looking for some [long-term stock ideas](#) for your TFSA, here is one [dividend stock](#) and one growth stock that should be on your radar.

A top dividend stock for any TFSA

Brookfield Infrastructure Partners ([TSX:BIP.UN](#)) is a great TFSA stock for both income and growth. It is one of the largest companies in the world focused on owning a diverse array of essential infrastructure businesses. Some of these businesses include residential utility services, cell towers in Germany, ports in the U.K., and gas-processing plants in Alberta.

Brookfield has all the benefits of a defensive utility business. Over 90% of its assets are contracted/regulated. Its balance sheet has plenty of liquidity and long-dated, staggered debt commitments.

Yet it also has an outsized growth profile. 75% of its assets have inflation-indexed contracts. This means its earnings are set to match or beat inflation over time. Likewise, the company has a great track record of buying beat-up assets and then fixing them up. It either holds these assets and milks the cash flow or sells them at substantial profits.

Brookfield Infrastructure has grown funds from operation (FFO) per unit (its core profitability metric) by close to 11% annually over the past decade. Likewise, its dividend has grown annually by a compounded 9% annual rate.

Today, this TFSA stock earns a 4.5% dividend yield. Combine that income with low-teens earnings growth for potentially year to come, and this is a great stock to tuck away in a TFSA.

A top Canadian growth stock

If you want some more focused [growth](#), **Artizia** ([TSX:ATZ](#)) could be a good fit for a long-term TFSA investor. Aritzia has focused on a unique clothing retail niche that it has branded as “Everyday Luxury.” Many of its clothing brands are actually made at the same factories as premium clothing retailers. As a result, the company is known for its quality products at a more tangible price than its premium peers.

Aritzia has enjoyed success in the Canadian market. Its recent [U.S. expansion](#) has been gaining a lot of steam. Its new stores have been enjoying a payback on their investment within 12-18 months, which is incredibly fast.

The U.S. retail market is more than 10 times the size of Canada. It is still in the very early innings of that expansion, so there is significant growth ahead.

This TFSA stock has a cash-rich balance sheet, a highly invested management team, and a diverse array of opportunities for prudent growth. While the market is worried about economic concerns, you can pick up some Aritzia stock today at a nearly three-year valuation low.

CATEGORY

1. Investing
2. Stocks for Beginners

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1. TSX:ATZ (Aritzia Inc.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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