



TFSA Investors: 2 Top Stocks to Buy in 2021 Now That the Contribution Limit Is Confirmed

Description

The Tax-Free Savings Account (TFSA) contribution limit for 2021 is now confirmed. Most investors suspected it would remain at \$6,000 in 2021, and they were absolutely correct. The limit is now at \$6,000 for the third consecutive year.

The Canada Revenue Agency bases any potential increase in contribution limit on the inflation rate. The inflation rate is expected to be 1% in 2021, which is why the limit remains at \$6,000 in the upcoming year.

Any Canadian aged 18 years or older is eligible to contribute to a TFSA. The account allows investment gains to grow completely tax-free. In addition, withdrawals can be made at any point in time without any sort of tax penalty.

The contribution limit might only be \$6,000 in 2021, but the total contribution limit for Canadians is now up to \$75,500. Since its inception in 2009, the TFSA contribution room has carried over from year to year. As a result, any Canadian resident aged 18 years or older in 2009 is eligible to invest a maximum of \$75,500 in their TFSA as of January 1, 2021.

Now that the TFSA contribution limit is confirmed, Canadians can now focus on deciding which stocks they'd like to be [buying in 2021](#). I've covered two top **TSX** stocks that any long-term TFSA investor will want to have on their watch list in 2021.

Lightspeed POS

Few Canadian stocks have outperformed **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) this year. The tech stock is up more than 100% since the beginning of 2020 and close to 400% since April.

The Montreal-headquartered company was initially hit quite hard by the COVID-19 pandemic. Small- to medium-sized brick-and-mortar retailers and restaurants make up a considerable amount of Lightspeed's revenue. Many of Lightspeed's core customers were forced to temporarily shut down due to social distancing policies. As a result, many investors quickly switched to a bearish sentiment towards Lightspeed.

Over the last eight months, we have witnessed Lightspeed grow into one of the most explosive tech stocks in the country. It's not the revenue growth that has investors over the moon, though. Lightspeed's product innovation strategy now has it competing with some of the largest tech companies in the world.

Lightspeed was once primarily known for being solely a point-of-sale hardware provider. Today, the tech company provides its customers with a robust cloud-based e-commerce platform. Lightspeed's goal is to be a one-stop-shop for small- to medium-sized businesses.

Lightspeed is an absolute growth machine, but that comes at a hefty cost. The stock trades today at a price-to-sales of almost 60.

The tech company likely won't be cheap anytime soon, so don't let the high valuation be the only reason you don't pick up shares of this growth stock. Just be sure that you're ready to endure the highly anticipated volatility in the short-term.

Toronto-Dominion Bank

To balance out the higher growth Lightspeed, TFSA investors should look to add a [Canadian bank](#) to their portfolio. The Big Five banks offer some of the best value on the Canadian stock market today.

Valued at a market cap of \$130 billion, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank, behind only **Royal Bank of Canada**.

Bank stocks were also hit hard this year, but for different reasons than Lightspeed. The COVID-19 pandemic was indeed the culprit, but the banks suffered due to lowered interest rates, rather than social distancing policies. Rates were lowered as the Canadian government tried to stimulate the damaged economy.

The lowered interest rates have had major impacts on the banks' bottom lines. What's even more worrisome is that it's very likely that interest rates will not be shooting back up as quickly as they dropped. That means the turnaround could be a long one for the Canadian banks, TD Bank included.

Short-term investors may not see much value in TD Bank, and rightly so. But for long-term TFSA investors, this is an excellent buying opportunity.

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1. Bank Stocks
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4. lightspeed
5. lightspeed stock
6. LSPD
7. TD Bank
8. td stock
9. tech stocks
10. TFSA
11. TFSA investing

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