

‘An unforgettable experience’: A four-bagger pot stock had this growth investor riding high in his TFSA - until what came next

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This is TFSA Truncers, a series that profiles Canadian investors who've accomplished incredible feats with their tax-free savings accounts. If you have grown your TFSA to half a million dollars or more, drop us an e-mail at dakeith@globeandmail.com, or fill out this form. You may choose to be anonymous, but we do require an e-mail address and we may request a screengrab of your portfolio for fact-checking purposes. We'll also be profiling those who haven't been so lucky with their TFSA.

Paul Cosgrove, now 64, retired and living in picturesque Victoria, opened his tax-free savings account when TSFAs were introduced in 2009. He made maximum contributions, totalling \$95,000, over the years to 2024.

After reading in 2017 that it could make sense for individuals to put their more risky investments in a TFSA, Mr. Cosgrove exchanged the relatively stable bank-sector ETF in his TFSA for shares in companies with potential for high growth rates.

However, instead of a rocket ride into the stratosphere of six or seven figures, his TFSA

took off on an earthbound roller coaster ride that yielded “an unforgettable experience.” It also left his TFSA balance close to \$95,000, the sum total of his contributions.

Mr. Cosgrove grew up in Etobicoke, Ont., and enrolled at Toronto Metropolitan University (formerly Ryerson) to study architecture. In the 1980s came a move to British Columbia and a career as a designer, renovator and builder of custom houses.

Mr. Cosgrove, who divorced in 2010, has put a good portion of his earnings into a registered retirement savings plan (RRSP) over the years. More recently, he paid off his mortgage and added to his retirement funds when his parents passed away and their house was sold by their adult children.

In 2017, he made his first purchase of shares in a company with a potential for high growth: Canopy Growth Corp., then a provider of cannabis for medical use. The expectation was that recreational use of cannabis would be legalized in 2018.

Within a year, Canopy was a “four-bagger,” as Mr. Cosgrove described it. The stock was then sold at this point.

In 2017 and 2018, he bought shares in semiconductor company Nvidia Corp. The company's chips for video gaming and self-driving vehicles looked like winners. But his position remained underwater for a long time, until 2020.

After the long wait to break even, he was unsure of Nvidia's prospects and sold his shares. Alas, Nvidia is now an artificial intelligence darling, and its stock has gone to the moon. “If I had kept those shares, this story would not be about a roller coaster but a rocket ship,” remarked Mr. Cosgrove.

China also seemed like a good place to invest in 2017 and 2018, as its mixed economy boomed under government direction and a commitment to capitalism. Stocks purchased in his TFSA included:

- Tencent Holdings Ltd., which owns WeChat, and Mr. Cosgrove's son loved Tencent's video games
- Alibaba Group Holding Ltd., which is similar to Amazon.com Inc., but larger
- KraneShares MSCI China Clean Technology Index ETF, which holds makers of electric vehicles, solar panels, etc.

The stocks looked like great prospects, especially the gaming and online companies during the COVID-19 quarantine. What could go wrong? Looking back on the precipitous declines in his holdings, Mr. Cosgrove found his reply: "The answer is that Chinese companies make stuff but not profit."

Mr. Cosgrove's TFSA never did attain great heights. He started off with a four-bagger, but other equities held at the same time and later on were offsets. The highest level his TFSA attained was about \$125,000, estimated to be close to a doubling of his deposits at the time.

His TFSA currently has Canadian oil and gas producers. One of the reasons: new pipelines to the coast of B.C. are poised to ramp up shipments of liquefied natural gas to Japan and South Korea, where gas prices are higher than in the U.S. market.

Mr. Cosgrove intends to withdraw some of his retirement funds while he is still in his 60s, so next year he will convert his RRSP to a registered retirement income fund (RRIF) because there are no withholding taxes on RRIF withdrawals. If the funds were left in his RRSP and withdrawn, they would be subject to withholding taxes.

WHAT THE EXPERT SAYS

We asked Ian Calvert, CFP, CIM, vice-president and principal, wealth planning, at HighView Financial Group for his thoughts on Mr. Cosgrove's TFSA:

"I agree with Paul's strategy of riskier investments in his TFSA. However, it's important to understand the difference between risky investments and speculative investments. Riskier investments have the opportunity for greater returns with great volatility. Speculative investments have the

opportunity for huge returns, but also carry additional risk – the risk of going to zero. When using the TFSA as part of your retirement plan, you need to ensure you can identify what is considered high risk and what is considered speculative, and to ask if you can afford to lose the speculative funds without jeopardizing your retirement security.

Looking at Paul's investment history, it's a mixed bag of home runs and strikeouts that remarkably brings him back to \$95,000, the lifetime contribution limit to the account. With this type of strategy, you hope the big wins outweigh the big losses, particularly in an account with no reported capital gains or losses. His real loss is the opportunity cost of 15 years of tax-free compounded growth he could have experienced in this account.

For instance, there is no disagreement that this is the best account for maximum growth as all investment returns are tax-free. However, if Paul had taken a balanced, more boring approach over the years, he could have accumulated a significant pool of tax-free assets. At 5 per cent and making the maximum contribution since 2009, his TFSA could be worth about \$139,000, or \$44,000 of tax-free return.

One aspect I enjoy and find fascinating about Paul's TFSA strategy is his ability to identify popular trends early on. In Canada, with the pot stock frenzy and the current popularity of AI stocks. He has been in the right places for excitement and momentum, so it really comes down to timing. Can you get in and out and the right time and stay disciplined?

It's impossible to do this with perfect timing, even for the most seasoned investor. Hopefully that reality relieves some of the pain associated with the early sale of Nvidia. Moving forward, he should have a more stable ride with Canadian oil and gas producers, but not without its own volatility. The market cap and size of the company will play a big part in the future potential for upside returns."

Ian Calvert is a Vice President & Principal at [HighView Financial Group](#).