



## How Canadian Millennials Can Retire as Millionaires

### Description

If you are under the age of 35 and grew up in Toronto or Vancouver, you might be feeling a bit depressed right now.

Your parents probably bought your family home for a reasonable price, paid it off over 25 years, and watched the value soar to the point where the property is now worth more than \$1 million.

It seemed like such a simple and straightforward way to save and invest. Now, young families can't afford these properties, and the likelihood prices will rise the same way over the next 25 years is pretty much zilch.

So, how can young investors still put money away and end up with \$1 million in assets when they retire?

The answer lies in dividend stocks and your tax-free savings account (TFSA).

The wonderful thing about being a young investor is that you have the benefit of time to watch your portfolio steadily grow throughout your working years. With a few smart picks, Millennials can maximize the contribution space in their TFSA, reinvest the dividends, and watch the money slowly grow to become a nice little nest egg.

Here's how it works.

Anyone who is at least 25 years old has already accumulated \$36,500 in TFSA contribution room. If you can catch up, that's great. If not, let's say you are going to start putting the current annual maximum of \$5,500 away for the next 35 years.

By investing in dividend-paying stocks, you should be able to average a return of at least 5%, especially with the dividends being reinvested and the stocks increasing in value over time. According to Morningstar's popular Andex charts, the Canadian stock market has delivered an average annual return of about 10% since 1950.

At a 5% rate of return, the \$5,500 annual contribution will grow to \$521,600. This means a 30-year-old couple would be able to put away more than \$1 million by the time they reach the age of 65.

### Which stocks should you buy?

The important part of this process is choosing best-in-class stocks with a long history of dividend growth and rising profits. Ideally, the companies enjoy a sustainable competitive advantage and operate in an industry that will continue to grow for decades.

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)), and **Fortis Inc.** ([TSX:FTS](#)) are good places to start.

Toronto-Dominion Bank operates Canada's strongest retail banking operation and now has more than 1,300 U.S. branches. A single \$10,000 investment in Toronto-Dominion's shares in March 1995 would now be worth more than \$180,000.

Canadian National Railway is the only rail company in North America that has access to three coasts. This gives it a great competitive advantage, and the barriers to entry in the rail business make Canadian National an ideal long-term choice. A \$10,000 investment in Canadian National Railway in March 1997 would now be worth more than \$250,000.

Fortis Inc. is an electric and gas utility company. This doesn't sound very exciting, but it is the perfect investment for multi-decade holding. The company continues to expand through strategic acquisitions and increases its dividend every year. A \$10,000 investment in March 1995 would now be worth more than \$120,000.

These results are total return calculations, which include share price appreciation and reinvested dividends. Even without the dividends being reinvested, the gains are still substantial.

With a bit of discipline and a lot of patience, today's Millennials can set themselves up nicely for a tax-free ride to retirement riches.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

## Category

1. Dividend Stocks
2. Investing

## Tags

1. Editor's Choice

## Date

2025/08/24

## Date Created

2015/03/09

## Author

aswalker

default watermark

default watermark