



Become a TFSA Millionaire With Telus Corporation and Fairfax Financial Holdings Ltd.

Description

Even though a million bucks isn't worth what it used to be, it's still a pretty sizable nest egg.

For most retirees, having \$1 million in a TFSA is a pretty ideal solution. They don't have to worry about taxes on withdrawals, or converting assets into a RRIF, or anything like that. All they need to do is withdraw what's needed.

To many folks, a million dollars seems like a huge burden to overcome. But if you're aggressive in utilizing your TFSA, and if you get generous returns while investing inside of it, it really isn't that hard.

Let's assume you have \$41,000 in your TFSA already, which is the maximum possible contribution thus far. If you max out contributions at \$10,000 per year for the next 30 years, you'll end up with a little more than \$1.6 million. And that's just assuming an 8% annual return, which is a little less than what the TSX Composite has delivered over the last few decades.

Even if you don't have the \$41,000 to start out with, it's still very possible to amass \$1 million in your TFSA. If you start with nothing and contribute \$10,000 per year, you'll end up with \$1.2 million after 30 years, assuming the same 8% return.

Of course, putting \$10,000 per year away isn't the easiest thing in the world. But if you can, becoming a millionaire is something that's very possible. Even after inflation has reared its ugly head after 30 years, being able to draw \$40,000 per year from a TFSA worth more than \$1 million will help any retiree.

The only issue is what stocks you should choose to get you there. I think two good ones to start with would be **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) and **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)). Here's why.

Telus

Telus is rapidly becoming Canada's dominant wireless provider.

There are a few reasons why the company continues to gain market share. Firstly, it's keeping the price of plans competitive, while **Rogers Communications** seems content to capture the higher end of the market. For many customers, looking for a cheaper plan starts with Telus. And since the company offers a discount on a customer's wireless bill for people with more than one Telus service, they're more likely to consider some of the company's other services.

Additionally, Telus has invested in its customer service, doing things like giving front-line reps the freedom to offer discounts for customers who are threatening to leave. That's helped the company get its churn rate to the lowest among its competitors.

Perhaps the best part of an investment with Telus is the company's strong dividend. Shares yield just under 4%, meaning all an investor needs is 4% annual return from the shares to hit an 8% return. Telus shares have easily done that in the last decade, returning 72% from price appreciation alone.

Fairfax

There's a reason why Prem Watsa, Fairfax Financial's CEO, is commonly called Canada's Warren Buffett.

Since he took over Fairfax in 1985, results have been extraordinary. The company has grown book value by approximately 20% per year for the last 30 years. That kind of record rivals the greatest money managers of all time.

Watsa's big advantage is the insurance float. When customers pay their premiums, Watsa is free to invest this money, knowing that the company won't need it for payouts for a while. Most insurance companies stick to ultra-safe assets, like bonds, while dabbling a bit into blue-chip stocks.

Not Watsa. His portfolio is littered with interesting things like value stocks and derivatives. He has large positions in beaten-up companies like **BlackBerry**, and has recently put money to work in Greece.

Perhaps his most interesting bet is on deflation. Fairfax owns derivatives that are set to pay out billions if the Consumer Price Index in North America and Europe falls only a few percent from current levels. When Fairfax started buying these a few years ago, nobody noticed. These days, they're an interesting option on a company with a lot of other things going for it.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:T (TELUS)

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