

## Become a TFSA Millionaire With Royal Bank of Canada and Saputo Inc.

### Description

The TFSA is the most powerful savings tool available today. It's that simple.

There are many advantages to using it over RRSPs. Firstly, and perhaps most importantly, investors don't have to worry about taxes with their TFSAs. Money inside an RRSP is taxed when it's withdrawn. TFSA cash isn't.

Then there's the flexibility. If an investor wants to drain their TFSA for any reason, they're free to do so without having to worry about the tax consequences. It's easy to put that money back in too. Once RRSP contribution room is used, there's no getting it back.

Personally, I'll max out TFSA space before even considering contributions to my RRSP.

Although the new contribution limit of \$5,500 annually might not seem like much, investors who patiently use the vehicle can grow steadily rich. Here's how easy it is to become a TFSA millionaire.

### First, pick great stocks

The first step is filling your TFSA with some of Canada's best stocks.

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) certainly fits the bill. The company is Canada's largest bank with more than \$1.15 trillion in total assets. It also has a strong presence in the United States—which was recently bolstered with its acquisition of City National Bank—as well being the second largest bank in the Caribbean.

RBC is the undisputed leader in Canadian retail banking. It has the largest sales force in Canada and is the market share leader or runner-up in all key product categories. It's also the go-to name in Canadian capital markets and has grown its wealth management business to sit in the top five globally in assets. And if that's not enough for you, the company has an insurance division that accounts for close to 10% of net earnings.

The company has done a nice job growing its bottom line over the past few years, with net income increasing from \$7.5 billion in 2012 to \$10 billion in 2015. The bank has rewarded shareholders with seven dividend increases since the beginning of 2012, hiking the quarterly payout from \$0.54 per share to \$0.81. Shares currently yield 4%.

**Saputo Inc.** ([TSX:SAP](#)) is a little different than Royal Bank. RBC is more of a mature company that strengthened its edge over the last decade. Saputo has been a growth machine, acquiring milk and dairy producers around the world.

Revenue has grown from \$4 billion in the company's fiscal 2007 to close to \$11 billion over the last 12 months. Net income has also exploded, increasing from \$0.57 per share to \$1.51. And remember, the last year was tough on Saputo because of weak cheese prices. Earnings are projected to hit \$1.78 per

share this fiscal year and \$1.98 per share next year.

Over the long-term, Saputo's real growth potential could rest in China. Regular folks in China are beginning to consume more milk, but on a per capital basis they still don't drink nearly as much as we do in North America or Europe.

Saputo's latest acquisition in Australia is the beginning of trying to crack this important growth market by exporting powdered milk that can be used in food manufacturing.

### **How these two companies will make you rich**

Both Saputo and Royal Bank have delivered terrific returns to shareholders over the last 15 years. Including reinvested dividends, Saputo shares have returned 17.7% annually and Royal Bank shares have returned 12.5%. This translates into an investment in each worth \$10,000 back in July, 2001, being worth \$115,500 and \$58,200 today, respectively.

Let's be a little bit more conservative in our calculations and assume each of these companies can provide investors with a 10% annual returns.

If an investor took their available TFSA room (currently at \$46,500) as initial capital split between the two companies and added half of the annual limit of \$5,500 into each company once a year and got a 10% annual return, results would be striking over 25 years.

That simple step alone would give an investor a nest egg of nearly \$1.1 million of tax free dollars. Not bad for saving less than \$500 per month.

If we extend the time period to 40 years, this is when things get really exciting. That same investment held for four decades would be worth nearly \$4.8 million, which I'm pretty sure will still be enough for a luxurious retirement even then.

TFSAs can help anyone grow serious wealth. Max out yours today.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)
3. TSX:SAP (Saputo Inc.)

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