



Become a TFSA Millionaire With Power Financial Corp. and BCE Inc.

Description

We all worry about retirement, at least a little bit. We want to ensure we have enough capital to not only survive our golden years, but to also afford luxuries like travel, spoiling the grandkids, and, perhaps most importantly, leaving an inheritance.

The TFSA is a great way for today's savers to build wealth. RRSPs will always be an important saving tool as well, but many investors prefer TFSAs because of their flexibility and because earnings won't be taxed upon withdrawal.

Even though the contribution limit for TFSAs is only \$5,000 per year versus more than \$25,000 for RRSPs, it's still possible to build some serious wealth using only the former. All it takes is patience and choosing proven wealth builders such as **Power Financial Corp.** (TSX:PWF) and **BCE Inc.** ([TSX:BCE](#)) ([NYSE:BCE](#)).

Power Financial

Many analysts are persistently bullish on Power Financial for one simple reason: it trades at a nice discount to the sum of its parts.

Power Financial owns 67.6% of **Great-West Lifeco** and 61.5% of **IGM Financial**, which in turn own 3.8% and 4%, respectively, of each other through their various investment vehicles. It also owns 50% of Parjointco, a joint-venture with the Frere family group of Belgium. Parjointco then owns 55.5% of Pargesa, which holds large stakes in European companies like the Brussels Stock Exchange.

Confused yet? It's not the easiest ownership structure to understand.

All you really need to know is this.

The assets are worth approximately \$27.2 billion, subtracting the value of Power Financial's preferred shares. The company's current market cap is \$22.45 billion. Thus, investors are getting \$4.75 billion for free—or about \$6.65 per share.

Power Financial is also relatively cheap on an earnings basis. The company has earned \$2.65 per share in the last year, putting shares at just 11.8 times earnings. It's even cheaper on a forward earnings basis; analysts expect it to earn \$3.16 per share next year, putting shares at less than 10 times forward earnings.

Oh, and Power Financial pays a succulent 5% dividend.

BCE

BCE isn't nearly as cheap as Power Financial. Canada's largest telecom trades at 19.2 times trailing earnings and 16.8 times next year's estimates.

But it still has plenty of things going for it. Every part of BCE's business is doing well. Wireless growth continues to be solid. Its new Fibe TV service is proving to be popular with customers. Internet demand is consistently strong. Even the media division is delivering solid earnings.

BCE isn't just growing organically. It has been aggressively buying up assets. First it took private the portion of Bell Aliant it didn't already own. It then agreed to buy **Manitoba Telecom** for \$40 per share—a deal that should close in early 2017.

BCE's consistent earnings translates into one of the most predictable dividends out there. Shares currently yield 4.5%, and dividend growth over the past five years is approximately 5% per year.

How to get to \$1 million

Both BCE and Power Financial have been great stocks to own. Including reinvested dividends, BCE is up 16.06% annually since October 1996. Power Financial isn't far behind; it's up 13.36% annually (including reinvested dividends) during the same time period.

Say you have a 30-year investing window and you stick \$5,000 in your TFSA annually, split between these two stocks. They perform as well as they have in the last 20 years, delivering a return of 14.71%.

And that's it. That's all you do for retirement. How well would such a plan work?

Based on the results from the last 20 years, it works pretty darn good. Such an investment would be worth more than \$2.66 million. Or, to put it another way, that same investment would spin off more than \$111,000 in annual income.

The bottom line

Don't kid yourself; getting a \$1 million TFSA isn't easy. It takes years of disciplined saving. There's also no guarantee stocks like Power Financial and BCE will continue to outperform. Still, I like investors' chances if they stick with such high-quality companies.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. NYSE:BCE (BCE Inc.)
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