



Become a TFSA Millionaire With Bank of Montreal and Telus Corporation

Description

The TFSA is quickly replacing the RRSP as the retirement savings vehicle of choice for many Canadians.

They like that the TFSA is more flexible with withdrawals. There's no tax owing on TFSA gains, while the RRSP is more of a tax-deferral plan. Many just can't save enough to max out an RRSP, while the \$5,500 TFSA limit is much more achievable. And there are investors who are waiting until they hit a higher tax bracket to take advantage of RRSPs.

Many investors have one big TFSA goal: they'd like to see the account hit \$1 million. That would be a nest egg worth bragging about.

This seems like an impossible goal. Assuming you turned 18 before January 1, 2009, you'd be eligible to contribute \$46,500 to your TFSA thus far with the potential to add up to \$5,500 per year annually afterwards.

How is \$5,500 per year supposed to add up to a million bucks? Here are some ways you can ensure you'll end up a TFSA millionaire.

It takes time

You'll need time on your side, obviously. Having \$46,500 set aside today to accelerate the process would help too, and maximizing contributions going forward is key as well.

Say you invest \$40,000 and earn 8% per year. In the first year, you've made \$3,200. In the second year, profit is \$3,456. And so on.

By year 10, assuming all earnings are reinvested, the TFSA would be worth \$86,357. It would then earn 8% again, which works out to \$6,908 in profit. That's the beauty of compounding. It keeps spitting out more money.

Leave it alone

Too many people use their TFSAs as savings account, robbing it for down payments, vacations, or vehicle purchases.

The flexibility of a TFSA makes such moves appealing. But they're terrible for long-term growth. The way to maximize TFSA value is to put capital in there, invest it over the long term, and don't touch it until retirement.

Pick great stocks

The best TFSA stocks are ones you can put aside for many years, knowing they'll perform through thick and thin.

Canada's banks are a great example, specifically **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), which hasn't missed a dividend since 1829. That's consistency.

There isn't much difference in the domestic divisions of Canada's banks. They all have a good retail, wealth management, and capital markets divisions. There are some unique products offered by each, but, for the most part, they're all similar.

Much of the growth will come from foreign operations. BMO first expanded into the United States in the 1990s. These days, it has more branches in the U.S. than in Canada, mostly clustered around the Chicago area.

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is another great choice for long-term investors. It continues to gain market share from competitors in wireless, although that growth rate has slowed. It's also growing television subscribers—an impressive feat in 2016.

Another thing to like about Telus versus its peers is it doesn't own any media assets. Margins from supplying telecom services are much better than operating television channels.

Both Telus and Bank of Montreal pay great dividends with shares yielding 4.6% and 3.9%, respectively. And, perhaps most importantly, both have terrific histories of giving investors an annual raise.

How to get to \$1 million

Over the last five years, including reinvested dividends, Telus shares have returned 13.6% annually. BMO hasn't done quite as well, only delivering a 13.3% return.

Projecting those returns over the next few decades seems a little optimistic, since the last five years have been very good for stocks. Say they only return 8% annually, dividends included.

If you stuck \$46,500 into a TFSA today and didn't add another nickel, the investment would be worth \$1 million in about 40 years—just in time for a traditional retirement for someone who is 25 today.

Results are even better if you max out contributions each year. If you started out with \$46,500 and

added \$5,500 to the account each year, it would take 29 years for a TFSA to hit \$1 million.

The bottom line

As long as investors are consistently putting money away, choosing good stocks, and leaving the account to grow, just about anyone should be able to become a TFSA millionaire. It's that simple.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. Editor's Choice

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:TU (TELUS)
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4. TSX:T (TELUS)

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