



Become a TFSA Millionaire With Enbridge Inc. and BCE Inc.

Description

Financial planners, mutual fund salesmen, and other people with a clear bias towards funds under management will probably disagree with me, but I think somebody with a paid-off house can have a very comfortable middle-class retirement with a \$1 million nest egg.

Using the oft-cited 4% rule, a retiree could take out \$40,000 a year and have virtually zero chance of running out of money in 30 years. I like those odds. Add in CPP, OAS, and reduced expenses in retirement — remember, a retiree doesn't have to drive to work, pay CPP or EI contributions, or save for retirement — and there will be plenty of money.

Folks who are just starting out today have a glorious opportunity. If they save aggressively inside their TFSA, they can easily accumulate enough capital to pay for their retirement. This helps avoid taxes, which can be a huge expense.

Here's how the average investor can accomplish this.

TFSA contributions needed

Let's look at a hypothetical saver who is 25 years old and maxes out their TFSA contributions at \$5,500 per year for the next 40 years. They earn a 10% return.

After 40 years, the TFSA would grow to \$2.93 million, give or take a few bucks.

Even using a more conservative 8% return, somebody consistently maxing out their TFSA over the next four decades would still end up with a nest egg of \$1.66 million. Withdraw 4% of that every year, and we get an annual income of \$66,400. And remember, there would be CPP and OAS income on top of that.

Suddenly, we're looking at a very comfortable retirement from maxing out a TFSA alone.

What investments to choose?

Now that we've discovered the massive compounding power of a well-funded TFSA, it's time to look at what investments would make a good fit. Ideally, Canadian dividend-paying stocks are the best choice. Remember, U.S. dividend stocks are subject to a 15% withholding tax when held inside a TFSA.

One great stock to put inside your TFSA is **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), one of North America's largest providers of energy infrastructure, including 27,600 km of liquids pipelines, 2.1 million gas distribution customers, 24,800 km of natural gas pipelines, and nearly 1,800 MW of power-generation capacity.

Enbridge recently acquired Spectra Energy, which really bolstered its U.S. operations. The newly combined company is currently working on \$27 billion worth of growth programs that will come online between now and 2019; these programs are projected to boost available cash flow from operations to between \$5.50 and \$6 per share.

Enbridge shares currently pay a 4.2% dividend, and the company has promised to hike its payout between 10% and 12% annually until 2024.

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)) is another great long-term hold for a TFSA. The company is Canada's largest telecom, boasting 8.5 million wireless customers, 3.5 million internet subscribers, 2.7 million cable hookups, and 6.3 million landline clients. It also owns more than 100 radio stations, some of Canada's most popular television networks, and parts of various sports franchises, including the Toronto Maple Leafs and Montreal Canadiens.

BCE currently pays a \$2.87 per share annual dividend after recently announcing a \$0.15 per share raise. That's good enough for a 4.9% yield — an excellent payout in today's world. With earnings projected to grow to between \$3.42 and \$3.52 a share in 2017, look for BCE to continue giving investors a modest dividend raise each year.

Over the last 15 years, both Enbridge and BCE have delivered solid returns for investors. Including reinvested dividends, Enbridge has delivered annual returns of 15.98%, while BCE hasn't done quite as well, but it still mustered an 8.47% annual return. Average the two out, and we get a total performance of 12.23%, which is easily sufficient to grow a TFSA into one worth at least a million bucks.

The bottom line

Becoming a TFSA millionaire doesn't have to be hard. It takes commitment, investing in great companies like BCE or Enbridge, and patience, but it's certainly not impossible to get there. Start today, and you'll be amazed how far you've gotten in 40 years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/09/11

Date Created

2017/03/13

Author

nelsonpsmith

default watermark

default watermark