



How to Become a TFSA Millionaire

Description

How much do you need to retire comfortably?

This is a very personal question, and there isn't one answer for all of us.

But let's assume you need a million dollars in a retirement fund to get you through your golden age and that will be enough to meet your monthly expenses and travel-related spending.

How are you going to build that savings nest? Luckily, there's a great savings product available in Canada: the Tax-Free Savings Account (TFSA). By investing through TFSAs, you don't have to pay any tax on your capital gains at the time of withdrawal. You're also free to dip into this account during emergencies. These withdrawals don't reduce your limit.

How to get there?

Now comes the biggest challenge: how do you become a TFSA millionaire? The easiest route to this goal is to start investing early and investing in dividend-paying stocks.

Say you have \$20,000 in your TFSA today and you plan to contribute the maximum for the next 40 years with an annual rate of return of 5.5%. That investment will be worth nearly \$1.358 million by the end of term.

The current maximum yearly limit for TFSA is \$5,500, but it's expected that this limit will increase with the rate of inflation.

Let's discuss which stocks have the potential to help you become a TFSA millionaire. Dividend-growth stocks are your best and safest bet in this environment. Start building your TFSA portfolio early and invest each month.

Dividend stocks

Adding the best dividend stocks and then continuing to buy more of them from your dividends will produce a powerful savings tool for you.

In Canada, the biggest dividend-growth stocks are banks, gas and power utilities, real estate investment trusts (REITs), and telecom operators.

Pick the top names from these sectors, such as **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), **BCE Inc.**([TSX:BCE](#))([NYSE:BCE](#)), and **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)), and hold them for a long time in your TFSA account.

These companies distribute huge amounts of their income in dividends, and they grow these payouts every year as their profits rise.

RBC, Canada's largest lender, distributes between 40% and 50% of its income to shareholders each year.

If you had invested \$10,000 in Enbridge stock a decade ago, for example, you would have made a total return of more 300%, or about \$37,000 in your savings.

Bottom line

A disciplined investment approach, picking solid dividend-paying stocks, and holding them for a long time are the key components of your journey to build a million-dollar portfolio. When you combine this approach with the tax-free compounding power of a TFSA, you're most likely to get there.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:REI.UN (RioCan Real Estate Investment Trust)
7. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/06/29

Date Created

2017/09/25

Author

hanwar

default watermark

default watermark