



Become a TFSA Millionaire Using These 3 Strategies

Description

Becoming a TFSA millionaire may seem like a far-fetched idea for most, given a potential lack of investment horizon, capital, or the time needed to properly and intelligently invest in companies that will multiply over time.

With a cumulative capital limit of \$52,000 for Canadian investors as the ceiling for how much one is able to invest today, and an additional \$5,000 annual limit expected to continue for investors (although this investment limit has changed in the past), reaching a \$1 million TFSA balance within 25 years is certainly possible, so long as an investor is able to earn an average annual return of 7-8% over time.

In other words, simply matching the long-term average of the stock market will ensure an investor will be able to live the dream of being a millionaire with tax-free income and capital gains to rely on for retirement.

Here are three strategies every investor should consider in attempting to reach this goal:

Invest the maximum every year

Some of the simplest, most sage advice I've ever received was from a fellow analyst, who encouraged me to invest a specific amount each year and stick to it. In the case of the TFSA program, a \$5,000 annual investment maximum (a sum which may be too difficult to put aside for some) provides investors with a meaningful, achievable goal to hit each and every year in a bid to put money away for a rainy day.

Pick a solid base of well-diversified securities across multiple sectors and regions

Equities should be viewed as part of a well-balanced investment diet; in addition to real estate holdings, fixed-income securities, pension monies, or other forms of alternative investments, equities provide diversification in and of themselves as a unique asset class.

That said, within equities exists a world of opportunities, which should not be ignored in favour of investing only within Canada or North America. Be sure to explore options across multiple sectors and

in multiple markets, with international stocks making up a meaningful percentage of your portfolio. Domestic stocks such as **Alimentation Couche Tard Inc.** (TSX:ATD.B) can provide much of the same [diversification](#) while staying closer to home. This strategy works fine as well.

Engage in options strategies when possible

An advanced strategy to be employed in special situations, in which an extensive amount of research into a company leads to a conclusion that a movement in a given direction is likely to take hold within a given time frame, given potential catalysts for said company, is an options strategy.

As I've pointed out in [previous articles](#), options can be a very powerful tool for investors to earn multiples of a small investment amount over a relatively short period of time; the caveat here is that the risk level with such strategies is much higher than that of the broader stock market, so proceed with caution.

Bottom line

Transforming a portfolio into a multi-million-dollar nest egg is something few investors dream of being able to do; however, by investing small sums each year and using the growth power of the stock market, such a dream can become a reality for most within a reasonable amount of time.

Stay Foolish, my friends.

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