# A $1-Million TFSA Is Inevitable for Many Young Investors

## Description

If you're a young investor who's been regularly funding their TFSA and using the proceeds to buy high-quality stocks, then odds are you're going to be a TFSA millionaire one day. It may sound far-fetched, but if you keep good habits over the course of decades, you're not only going to amass a $1-million TFSA one day, but you'll also likely retire a TFSA multi-millionaire as your wealth snowballs at a profound rate through the power of tax-free compounding.

Tax-free compounding is a powerful force, and you really don't have to be a professional money manager in order to unlock its true potential. As soon as you're able, make the maximum allowable contribution for the given year and invest it in high-quality dividend growth stocks that have a history of rewarding shareholders through consistent and generous dividend raises. If you reinvest your accumulated dividends and don't withdraw money from your TFSA unless it's an emergency,  you'll be well on your way to a wealthy retirement even if you're a low-income earner today.

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**Bear markets and recessions are actually good for young investors**

Market crashes, corrections, and bear markets are kryptonite for older investors who are nearing retirement, but they're actually an opportunity for younger investors with a long-term time horizon to get a leg up. Older investors who are nearing retirement don't have the number one advantage when it comes to investing in the markets: time.

If you're near retirement, you're likely slowly moving money from the stock market and into less volatile instruments like bonds, GICs, or REITs. If an unexpected crash occurs, then your retirement could be in jeopardy and you may have to work several years past your expected retirement date. Unlike a young investor, an investor preparing for retirement can't ride out a +50% drop the way a young investor can. Not only do they have more principal invested, but they may be forced to sell at a loss if they're still sticking with their original retirement plans.

For a young investor with a plan, a crash isn't necessarily detrimental; in fact, it's a golden opportunity to buy quality merchandise (stocks) at marked down prices. Even if a young investor lost a great deal of their principal, they've still got decades to make it back, and as they're doing so, they're not feeling the pressure to exit the markets like some retirees are.

When it comes to market crashes, Canada's big banks are hit hard, but they're usually the first out of the gate when it comes time to rebound. If you're a young investor in the midst of a crash, hang in there and buy blue-chips dividend growth stocks like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) for your TFSA. They'll reward shareholders with dividend hikes through thick and thin. Over the last 20 years, the markets have experienced two catastrophes, but TD Bank managed to come out on top each time, thereby rewarding shareholders with ~10% in annual dividend growth.

**Bottom line**

Whether it's a market melt-up or meltdown, stick to your long-term investment plan. Keep contributing to your TFSA and buy quality growth stocks regardless of where you think the market's heading. Market crashes and other crises are inevitably going to happen on your journey to a seven-figure TFSA. Get used to them and don't let their occurrences derail your long-term plan.

Stay hungry. Stay Foolish.

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