
How to Turn a $10,000 TFSA Into $1,000,000

### Description

Tax-Free Savings Accounts (TFSAs) is an excellent tool for you to save taxes and hard-earned money from the taxman. If you’ve never contributed to a TFSA, you could have as much as $63,500 of contribution room this year.



## Regularly save to invest

The TFSA is a savings tool before it’s an investing tool, which is why  there’s more contribution room each year. That’s also why it’s important to continue contributing to your TFSA every year to the max to take advantage of the tax-free compounding.

## How to turn a $10,000 TFSA into $1,000,000

Let’s be very conservative and say that you’re starting out with a $10,000 TFSA instead of a $63,500 one. How can you turn $10,000 into $1,000,000?

Here’s one way — invest for a very reasonable 10% rate of return and continue to contribute to your TFSA regularly to the max. Assuming there will continue to be $6,000 additional room for your TFSA every year, you’ll end up with more than $1,050,000 by year 29. If you can get a 12% rate of return (which is still very achievable), you’ll get to the $1,000,000 goal by year 26.

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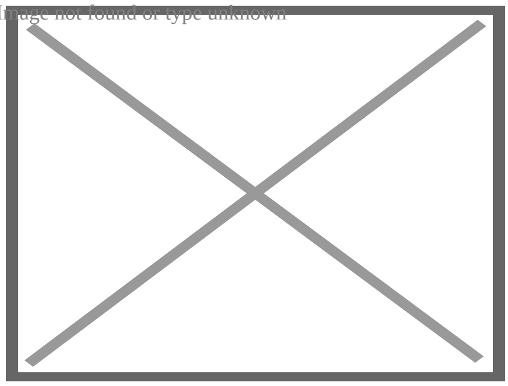

## Getting +10% returns

One stock that is very likely to deliver a long-term rate of return of over 10% from current levels is **Manulife Financial** (TSX:MFC)(NYSE:MFC).

Although Manulife stock has already appreciated about 13% year to date, it remains severely undervalued. At $21.83 per share as of writing, it trades at a ridiculously cheap price-to-earnings ratio (P/E) of less than eight.



The stock shouldn’t be this cheap because the life and health insurer is estimated to increase its earnings per share (EPS) by about 10% per year over the next three to five years. So, it’s trading at an absolutely low PEG ratio of less than 0.80.

Since recovering from the financial crisis of 2007/2008, Manulife has delivered superb earnings growth *and* dividend growth. Specifically, its five-year EPS and dividend per share growth rates are +15% and +11%, respectively.

When Manulife achieved double-digit growth in profitability in 2013/2014, the stock traded as high as a P/E of 15.7. The company marched on with double-digit growth through 2018, but the stock still lost ground due to some issues.

The core business did very well with core earnings and core EPS growth of 23% in 2018. As well, core returns on equity improved by 2.3% to 13.7% in 2018.

Irrespective of how undervalued Manulife is, the growth of the stock alone can lead to total returns of 10%. But wait! The stock also pays a safe dividend — a yield of nearly 4.6% as of writing.

Based on a more reasonable P/E of more than 10, Manulife would trade at the $28 level. According to **Thomson Reuters**, this equates to +28% near-term upside potential and is also the mean 12-month target on the stock.

## Investor takeaway

By saving regularly and buying stocks like Manulife (i.e., quality dividend stocks that are discounted with stable growth potential) in your TFSA and aiming for a return of more than 10% per year, you will eventually get to a $1,000,000 TFSA portfolio.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)

**PARTNER-FEEDS**

1. Msn
2. Newscred
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