How to Reach $750,000 in Your TFSA by Investing Just $1000 a Month

Description

Now $750,000 might not look like a special number. It has neither the psychological weight of $1,000,000, nor the attainability of something like $100,000. However, if you're a Canadian approaching retirement age, it's a number that should matter to you.

Why? Because, according to a **CIBC** poll, it's the number that most Canadians believe they'll need to retire comfortably. And as experts have recommended a range of $650,000-$750,000 in savings for the average household, it's not far off accurate, either.

If you're a Canadian saving for retirement, then $750,000 is a worthy goal to aim for. But if you're saving a typical amount (say $1000 a month), it could be hard to get there. You see, $1000 a month for 30 years is only $360,000–not even halfway to the goalpost.

Fortunately, with the right investing strategy, you can indeed get to $750,000 investing just $1000 a month. Depending on how much risk you're willing to assume, you could actually get there pretty quickly. In this article I'll be exploring two strategies that could get you to a $750,000 TFSA before it comes time to retire. I'll start with the quickest.

The fast, high-risk, growth stock strategy

Naturally, high risk, high return stocks provide the quickest possible path to $750,000. Of course, these same stocks come with substantial risk of loss. But for the bold, they can be just the ticket.

Shopify Inc (TSX:SHOP)(NYSE:SHOP) is one case in point. In 2018, it rose 32%. Assuming that growth rate continues, you'd have to invest $1000 a month for just 10.5 years to get to $750,000. That might seem incredible, but remember, your first few years of monthly contributions will have been growing at 32% for many years. The first month's $1000 contribution alone will have grown to $18,000 by the end, while a $12,000 investment for the first year will have grown to $221,000.

This assumes 10 consecutive years of 32% annual growth–and yes, that's quite an assumption. If you're not willing to bet on it, there's a safer but slower path that could get you to $750,000 all the same.

The slower but safer dividend growth strategy

A second strategy is to invest in dividend stocks and reinvest the dividends. Here, you're only aiming for 10% in annual gains, but you're supplementing the returns with growing dividends.

A case in point here would be **Fortis Inc** (TSX:FTS)(NYSE:FTS). Fortis pays a dividend of about 4% with a 45-year history of raising its dividend by about 10% a year. In the past 12 months, Fortis has risen 10%. With that return alone, it would take you about 20 years of investing $1000 a month to get to $750,000. But remember the dividend! Throw that extra 4% into the mix and you shave three years off that total, taking you to $750,000 in 17 years–not even factoring in the 10% a year dividend growth. Assuming Fortis increases its dividend by 10% annually, you're talking only a few years longer to get to $750,000 than it would take with Shopify at 32%!

Of course, all the anticipated returns in this article assume that recent returns will continue indefinitely. In the real world, your mileage will vary. But as you can see, even with milquetoast 10% a year gainers, a $750,000 TFSA is very much attainable on a $1000 a month contribution plan.

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