



Become a TFSA Millionaire With BCE Inc. (TSX:BCE) and Bank of Montreal (TSX:BMO)

Description

Who doesn't want to become a millionaire? If this person exists, I've yet to meet them.

There are several ways to become wealthy. You could invent the next new app or other big technological breakthrough. You could work your way up to CEO of a major organization. Or you could save and invest wisely, and after a few decades of compounding, you'll get there.

Alas, only one of these methods is a reliable way to earn wealth. The good news is that you don't have to over-complicate this strategy. All you need to do is max out your TFSA each year and you'll end up a millionaire.

Yes, really. Here's an easy roadmap showing you how to get there.

A simple investing strategy

Let's run through a simple hypothetical scenario. Say you just turned 25 and have entered your peak earning years. So you contribute the maximum to your TFSA each year, which currently stands at \$6,000. We'll assume zero increases in that maximum contribution over the years.

Next you invest in stocks that generate an 8% return, which is actually a little under what the market has delivered over the long-term.

The result is that you'll easily become a millionaire. If you keep investing \$6,000 per year by the time you're 65 you'll end up with a \$1.8 million TFSA. I'm not sure that inflation will do in the next 40 years, but I'm confident \$1.8 million will still be a lot of money in 2059.

Compound interest is funny. It seems like nothing is happening for years and then results start to explode upwards. It would take our imaginary investor 33 years to become a millionaire. Just seven years later, she would nearly double that nest egg.

And remember, TFSAs are completely tax free. At a 4% withdrawal rate we're looking at a tax free annual income stream of \$72,000.

How to get there

An 8% return is good, and you'll likely do at least that well over the long-term if you own a portfolio of diverse index funds. But I think we can do a little better choosing some of Canada's finest companies.

Let's talk first about one of our largest banks, **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), which has been an incredibly good investment over the years. Not only has the company cemented itself as a leader in Canadian banking, but it has also spent the last two decades expanding its presence in the United States. BMO's U.S. operations are, combined, the 12th largest bank in the United States.

An important part of BMO's overall return potential is its generous dividend, a payout that has been maintained since 1829. No, that's not a typo. Bank of Montreal really has paid a dividend for nearly whole centuries. In fact, the company has actually grown the dividend most years. The current yield is 3.9%.

Over the last 20 years, BMO shares have quietly produced great returns. Including reinvested dividends, BMO's total return has been 9.98% annually, which is enough to turn a \$10,000 initial investment into one worth just over \$67,000 today.

Another great buy-and-hold forever TFSA stock is **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), the nation's largest telecom. BCE holds a dominant position in the wireless market, and is a leader in both television and internet services too. The company boasts nearly 20 million customers from all of its combined divisions.

I also like BCE's exposure to professional sports teams — assets that seemingly refuse to decline in value. The company owns a portion of NHL teams like the Toronto Maple Leafs and the Montreal Canadiens, as well as the NBA's Toronto Raptors and MLS's Toronto FC soccer club.

And let's not forget about the dividend. BCE's payout is even better than BMO's, checking in at 5.3%. BCE gives investors a higher yield today in exchange for muted dividend growth going forward, but I still expect dividend growth in the 4-5% range.

A \$10,000 investment in BCE two decades ago would be worth \$76,417 today including reinvested dividends, which represents a 10.7% annual return.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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2. NYSE:BMO (Bank of Montreal)

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