# Young Investors: How $50,000 Can Become $600,000 in Just 20 Years in Your TFSA Retirement Fund

## Description

Millennials and other young Canadian professionals are facing retirement-planning challenges that weren't present when their parents and grandparents were the same age.



What's going on?

Buying a home used to be a pretty safe bet with respect to forced savings for retirement. In fact, many baby boomers have become "rich" simply as a result of having had the opportunity to buy a home in a major market when it was reasonably affordable.

Buying a house today could still prove to be a solid long-term investment, but the price gains are unlikely to be repeated in the next 20-30 years. In fact, there is a good chance prices might not be much different than they are right now.

In addition, the employment world is less retirement friendly than it was a couple of decades ago. The idea of retiring with a full defined-benefit pension at 55 or 60 is pretty much out the window. Any defined-benefit plan is now tough to find; every time you read a retirement article, the trend appears to be pushing people to work until they are 67 or even 70.

Fortunately, young Canadians can still find ways to have the necessary funds set aside to quit work in their 50s and enjoy a long retirement.

One popular strategy that has emerged involves using a Tax-Free Savings Account (TFSA) to own dividend stocks and invest the distributions in more shares. When the process starts early, the fund can grow significantly over the course of two or three decades.

Any Canadian resident who was at least 18 years old in 2009 now has up to $63,500 in available TFSA contribution room. That's enough to start a solid retirement fund, and the contribution limit is expected to increase by at least $6,000 per year.

Let's take a look at **Fortis** (TSX:FTS)(NYSE:FTS) to see why it might be an interesting pick to start your TFSA retirement portfolio.

## Regulated assets

Fortis owns more than $50 billion in natural gas distribution, electric transmission, and power generation assets in Canada, the United States, and the Caribbean. The majority of the revenue comes from regulated businesses, meaning the company's cash flow should be reliable and predictable regardless of the ongoing ups and downs of the global financial markets.

Fortis grows through acquisitions and investment in organic projects. The company's current $17.3 billion capital program is expected to drive up the rate base enough over five years to support ongoing annual dividend increases of at least 6% through 2023.

The company has raised the distribution each year for more than four decades, so the guidance should be viewed as reasonable. At the time of writing, the stock provides a yield of 3.6%.

Long-term investors have done well with Fortis. A $10,000 investment in the stock just 20 years ago would be worth more than $120,000 today with the dividends reinvested. That means a $50,000 investment would be worth more than $600,000!



## The bottom line

Fortis is just one example of a number of Canadian companies that have generated similar or even better returns. With the right mix of stocks and some patience, young Canadians could potentially turn a $50,000 TFSA into a $600,000 nest egg over the next 20 years. A couple in their mid-30s with $50,000 each in their TFSA could be looking at $1.2 million by the time they are 55.

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