How to Turn a $10,000 TFSA Into $100,000

Description

In the early stage of investing, the amount you save is more important than the returns you get from your investments (though high returns are certainly a big help). If you were eligible for a Tax-Free Savings Account (TFSA) since 2009 and you never contributed to one, you would have contribution room of $63,500, which is a big chunk of potential investments for mouth-watering tax-free returns!

It's not easy pulling out $63,500 from one's pocket for investing. Let's say you start off with a nice round number of $10,000 of TFSA contributions. Then you can continue to commit contributing $5,000 a year (roughly $417 a month) to your TFSA. If you get 10% of total returns per year, your TFSA will reach over $100,000 in 10 years.

The exact amount would be $105,624. About 60% of the amount will be from your savings and 40% will be from investment returns. The longer you stay invested, the more your investments will contribute toward your net worth versus your savings — thanks to the power of compounding interest.

Safe dividends help secure a 10% rate of return. **Enbridge** (TSX:ENB)(NYSE:ENB) is a wonderful big dividend stock you can count on to earn increasing dividend income from.

Get big dividends from Enbridge

Since 2007, Enbridge stock has delivered total returns of 10.4% per year. A $10,000 investment has turned into $33,917 thanks partly to its decent dividends, which contributed 26% of the returns.

Since acquiring Spectra Energy, Enbridge has assembled its biggest and most diversified portfolio ever. The portfolio consists of a transcontinental network of liquids and gas pipelines that transports 25% and 22%, respectively, of North America's crude oil and natural gas.

About 98% of Enbridge's cash flow generation is regulated or under long-term contracts such that it consistently sustains or even increases its cash flow generation every year irrespective of the ups and downs of the prices of the underlying commodity that it transports. Stable cash flow generation combined with a targeted dividend payout ratio of less than 65% of distributable cash flow makes Enbridge's dividend rock solid.

At over $50 per share as of writing, Enbridge is good for a yield of about 5.9%, which means that investors only require a growth rate of 4.1% from Enbridge to hit the 10% total return target.

Seeing as Enbridge estimates to grow distributable cash flow by 10% next year and at a rate of 5-7% after that, investors today are set to get long-term growth of 5% or higher, which should lead to long-term returns of 11% or higher!

Foolish takeaway

Enbridge is a fabulous blue chip dividend-growth stock that conservative investors can buy and expect a long-term rate of return of about 11% or higher by buying at current levels.

Buyers today will get about half of their long-term returns in dividends from Enbridge, which is forecast to grow its profitability by 5-7% in the long run.

Save early and invest regularly for target returns of at least 10% to get to a $100,000 TFSA, which will eventually turn into $1,000,000 — or more!

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date
2025/07/08
Date Created
2019/05/25
Author
kayng