Investors: Follow These 3 Sure-Fire Tips to Grow Your TFSA to $1 Million — or More!

Description

TFSAs are an incredibly powerful savings vehicle, an account I firmly believe Canadian investors need to max out first, even before their RRSPs.

The reasoning is simple; there's no ongoing tax liability. Most folks will have to pay taxes when they wind down their RRSPs. What that total bill will be is anyone's guess. But all the money inside your TFSA is all yours, and it can be withdrawn at any time with no tax penalty.

Many younger Canadians should be able to enjoy a comfortable retirement by strictly using their TFSA. Getting the account to $1 million or even $2 million is very possible if you have a long runway ahead of you. Here's how you can make it happen.

Contribute now… before it's too late

Many Canadian savers put off making TFSA contributions. Life gets in the way, so to speak. And as the contribution room keeps accumulating, these folks can always make it up later — without penalty, to boot.

However, this is a massive mistake. Even delaying a contribution by a few short years can really impact total returns — probably more than you'd think, too.

Let's use a simple example. You contribute $10,000 to your TFSA today and let it compound for 35 years at 10% annually. This investment would be worth a little over $281,000 at the end of three-and-a-half decades. The same investment growing over 30 years would be worth $174,494. That's still a fine result, but you'd be leaving $100,000 on the table if the contribution was delayed.

Don't over contribute

Some people don't keep close track of their TFSA contributions, putting cash in the account whenever they get the chance. There's nothing wrong with that, but make sure you keep track of how much you've put away, as over contributing comes with a significant financial penalty.

RRSPs come with a little wiggle room. You can over contribute up to $2,000 worth without incurring a financial penalty. And many folks who make mistakes bigger than that have successfully proved to the CRA the error was non-intentional. This means no tax penalty.

But TFSAs are different. You're immediately charged 1% of the over contribution for each month the account is non-compliant. Sure, it's possible you might make over 12% annually on your investments, but it's not likely over the long-term.

Invest for growth

Although I'm a little more conservative in my old age, I'm a big fan of younger people investing with a growth mindset. The time to swing for the fences is when you're younger, not when retirement is on the horizon.

There are few finer growth stocks in Canada than **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP), which helps small business owners distribute, ship, and market their items online for a low basic fee. Approximately 800,000 businesses use Shopify's solutions today, and the company is expected to generate approximately US$1.5 billion in revenue in 2019.

Shopify has only begun to scratch the service on its market. There are millions of small businesses in North America that would benefit from adding an online sales presence. And the company is expanding into other related verticals, including physical payment processing and supplying financing for small businesses by using receivables as collateral.

Sure, the stock is expensive, but I'd argue the company will become quite profitable once it gets bigger. Analysts agree with me; they predict the company will earn some US$7 per share by 2024.

Now I'm the first to admit looking out over a five-year future isn't exactly rocket science. But one thing is certain — Shopify's market will get bigger between now and then. Much bigger.

The best part? Shares are up 88.5% thus far in 2019. There's no guarantee they continue this performance, of course, but if any stock can pull it off it's Shopify.

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