



## 2 Ways to Turn Your TFSA Into \$1,000,000

### Description

The TFSA is the ultimate investor savings tool for Canadians. Since it was started in 2009, it's been the go-to investment account for millions of Canadians. It's easy to see why this is the case: any investment instrument you include in the account, whether stocks, bonds, and others, all gains, dividends, or interest income derived will be tax-exempt.

An even greater feature of the TFSA is the extreme flexibility and freedom it provides investors. Unlike RRSPs, which has penalties for early withdrawals, you can buy and sell from your TFSA without any of those. You just need to stay within the TFSA limits. Even if you do withdraw, you don't lose that contribution room and can place the money back in the future.

With a healthy \$63,500 TFSA contribution room available for all Canadian investors, here are a couple of ways to turn your TFSA into \$1,000,000.

### Strategy 1: Super high risk

Basically this strategy is to buy and sell high risk stocks in an attempt to beat the market and maximize your gains. But there are important questions to ask yourself before trying this strategy:

Are you looking at becoming a professional investor? Do you spend your waking hours analyzing the stock market and have a history of winning trades by picking amazing stocks?

If your answer to these questions is yes, then you might be the 1% of people who would be able to make this strategy work. There is a possibility of this strategy working, and if that's the case, you could potentially double your investment every year until you get to \$1,000,000 a few years later.

This outcome is highly unlikely and risky. If you're in the other category of 99% of people, the next strategy is more likely the way to go.

## Strategy 2: The eighth wonder of the world: compounding interest

Albert Einstein once famously said that compounding interest is the eighth wonder of the world. It's a strategy that has served the most famous investor in the world, Warren Buffett, quite well.

Take into consideration a blue chip dividend paying stock such as the **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), one of the largest banks in Canada with a dividend yield of 5.28%. This is the largest dividend of all the Big [Five banks](#).

Assuming the price remains flat with no increase whatsoever, the \$63,500 investment in CIBC today will allow for a contribution of \$6,000 per year. If you reinvest the 5.28% dividend by acquiring more shares, you would have a cool \$1,000,000 in about 35 years.

If you further assume an average total return of 7%, the time horizon to reach \$1,000,000 will be lessened to 29 years. An even higher average total return of 10% will significantly reduce the period to only 22 years.

Over the last 20 years, CIBC has averaged 11.15% annual returns with dividends reinvested. This isn't out of the realm of possibility. CIBC is just one example of [a stock that can unlock the power of your TFSA](#). In this case, slow and steady can win the race.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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### Category

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