



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

Description

Take advantage of the Tax-Free Savings Account (TFSA) and maximize your returns without the hindrance of taxes. If you've never contributed to a TFSA before, you could have as much as \$63,500 of TFSA contribution room.

A lump sum of \$63,500 may be too much to take out from one's pocket to invest for most people. However, you don't need a whole lot to get started on your investment journey. Let's say you start off with a nice round number of \$10,000.

If you save \$5,000 every year thereafter, it will take 18 years for you to get to \$100,000. What's exciting is that you can get your investments to work for you to help you achieve the goal of \$100,000 sooner! So, that you can work toward a \$200,000 TFSA next.



Undervalued bank with a big dividend

For most investors, investing in proven dividend stocks like **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) work incredibly well, as they provide juicy income that delivers consistent returns year in and year out. Furthermore, their stable growth will support long-term price appreciation and dividend growth.

Currently, Scotiabank offers an attractive yield of about 5%, which has only occurred two other times in the last 10 years. That's thanks partly to an increasing dividend and the fact that the stock has retreated to a more attractive valuation.

Scotiabank's three- and five-year dividend growth rates are 6.4% and 6.5%, respectively. Over the next three to five years, the international bank is estimated to increase earnings per share by about 5.8% per year.

The 5% yield and let's say 5% growth lead to estimated long-term returns of 10% per year. At about \$70 per share, BNS stock trades at a price-to-earnings ratio (P/E) of about 9.8. Should the stock experience P/E expansion to its normal valuation, it will lead to an extra boost in returns of about 4% per year over the next five years. This implies wonderful estimated total returns of 10-14% per year over the period, in a top quality stock.

Foolish takeaway

A disciplined saving and investing strategy in [proven dividend stocks](#) will help you get to a \$100,000 TFSA sooner than you think.

If you have \$10,000 and you save \$5,000 every year thereafter, it will take 18 years for you to get to \$100,000.

If you get total returns of 10% per year on the \$10,000 investment and subsequent yearly \$5,000 contributions, you'll achieve a \$100,000 TFSA in 10 years (\$105,624 to be exact).

If you get returns of 14% per year with the same savings, you'll [get to a \\$100,000 TFSA](#) in nine years (\$112,946 to be exact).

Notably, the goal is not to aim for the highest returns because high returns tend to come with high risks. That said, if you employ a value and dividend investing strategy in a diversified portfolio of quality companies and buy dividend stocks like Bank of Nova Scotia when they're undervalued, your risks will be greatly lowered.

CATEGORY

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

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1. NYSE:BNS (The Bank of Nova Scotia)
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