



## How a Young Family Can Use the Power of a TFSA to Turn \$12,000 Into \$250,000 for Retirement

### Description

Every time you read the financial news, there always appears to be some article about a wealthy entrepreneur or young tech guru that sold a business for millions of dollars.

For the average Joe or Jane who is battling it out in a nine-to-five job, trying to pay the mortgage, the bills, the daycare, and the kid's hockey or dance fees, this seems like an unrealizable dream. Quitting the rat race to start a business is always possible, but for most people, the decision simply carries too much risk or really isn't even an option.

So, how can an average young person or family become rich?

The answer might lie in dividend stocks held inside a Tax-Free Savings Account (TFSA). Since its inception, the [TFSA](#) contribution limit has increased to \$63,500 and is expected to rise by at least \$6,000 per year.

Most people don't have the full amount to put into the TFSA right away, but simply shifting \$115 per week into the TFSA would add up to \$5,980 per year. If the program were followed consistently over the course of 20 years, the total would add up to nearly \$120,000 in contributions.

How does this grow?

The money could be invested in reliable [dividend](#) stocks inside the TFSA, and the distributions used to buy new shares to take advantage of a powerful compounding process. Think of it in the same way you roll a snowball to build a snowman.

Initially, there doesn't seem to be much of an impact, but the more snow the ball picks up, the larger it gets, and before you know it, the ball has become a boulder.

Let's say a couple invested just \$12,000 in a stock such as **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) two decades ago. That initial investment would be worth about \$150,000 today with the dividends reinvested. The same \$12,000 used to buy shares of **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) would now

be worth \$250,000 with the dividends reinvested.

As you can see, it doesn't take much upfront money to potentially build a substantial retirement fund over time.

## The bottom line

Fortis and CN might not generate the same results over the next two decades, but the idea of owning quality dividend stocks and investing the distributions in new shares is a proven strategy to build wealth. Other top stocks in the TSX Index have also generated attractive long-term returns.

### CATEGORY

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

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)

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