



## Turn Your \$500/Month Contribution to Your TFSA Into \$1,000,000

### Description

TFSA's are now the preferred investment account of Canadians. About 69% of those who are 55 years and older would choose a TFSA over an RRSP. The gap between investors choosing a TFSA over an RRSP has risen to over 20% since 2004.

Aside from the tax-free benefit, the heightened preference is because the TFSA is simpler and easier to understand. Unlike the RRSP, your own money inside the TFSA will not be taxed. There are also no penalties, withdrawal restrictions, or age requirement whatsoever.

In 2019, the annual contribution limit has been increased to \$6,000 per year. Effectively, you can contribute \$500/month into your TFSA and not go beyond the limit.

But if you want to turn your \$500 monthly contribution into \$1,000,000, here's a way to go about it.

### Reinvest dividends

There is a ripple effect when you [invest in dividend stocks](#). This effect is also called dividend compounding. It happens when the dividends you receive are reinvested to buy additional shares of the stock. The result is greater dividends and more money.

You can realize the magical results of compounding when you start and invest early. Pick companies that have a proven history of safe dividends. Review the fundamentals to see if the prospect is generating the level of earnings that can adequately cover dividend payments. This is a sign of a healthy and sustainable dividend distribution.

**Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) is a company that fits the bill. The current dividend yield of the renowned insurer is a healthy 3.9% with a corresponding payout ratio of 46%. The ratio tells you that earnings can fully cover dividend payments, and the company has funds left to utilize for other purposes.

## Future-facing company

Consumers today are more tech savvy. Companies that have invested in new technologies and how to access information are reaping the benefits. Sun Life gained traction as a digital-friendly insurance provider.

Sun Life is well aware that clients demand easy and convenient ways to evaluate and analyze insurance products before making purchase decisions. Hence, the company introduced new digital financial calculators along with an interactive online assistant for better and more responsive customer service rendition.

In the first quarter of 2019, Sun Life was able to reach over 1.5 million clients in Canada digitally. The future-proofing efforts are delivering results, and the company is ready to meet the challenges of the digital environment.

## Path to \$1,000,000

Since the inception of Sun Life's stock in 2000, the average annual return with dividends reinvested is 12.41%. Assuming you invest \$500/month starting today at the same rate, it would take you 25 years to reach \$1,000,000.

What's interesting about this example is that it would take you 20 years to reach \$500,000. And in the extra five years, your invested funds will be boosted to \$1,000,000! This highlights the power of compounding and the importance of starting early.

You can mitigate the risks when you fill your portfolio with several stocks. Sun Life is just one of the many [choices for retirement savings](#). The stock's good performance in the past is not a guarantee that it will be repeated in the future.

But one thing is certain: Sun Life is preparing for the future. You can expect better performance, higher profits, and dividend growth in the years ahead. These are the qualities you need to look out for when choosing the stocks that will eventually get you to your first \$1,000,000 in your TFSA.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:SLF (Sun Life Financial Inc.)

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