3 Simple Ways to Get a 7-Figure TFSA

Description

It can sound like a scam when you offer investors a way to make $1,000,000 by the time they retire. But while there are plenty of stocks that could end up sinking your funds into the gutter, there are just as many conservative options to get you to that million-dollar mark.

Conservative options pretty much don't exist in the tech or marijuana industries, so it might take a bit of work to find the stock that's right for your portfolio. But if you choose wisely and follow these guidelines, it can be relatively simple to turn your investment into $1,000,000 by the time you retire.

Partner up

It's been a decade since Tax-Free Savings Accounts (TFSA) came onto the scene, and if you were born before 1991, you should definitely have one by now. The program gives you $63,500 of contribution room as of 2019 to put towards your retirement goals. But even better, if you have a partner, that means the pair of you can partner up and create a $127,000 nest egg that's ready to hatch in a couple of decades.

When you start looking at stocks, the best place to start is with one of Canada's Big Six banks. I would recommend **Royal Bank of Canada** (TSX:RY)(NYSE:RY). Royal Bank is the biggest bank stock on the TSX and has set itself up to continue to be the king pin of Canadian banks.

Part of this comes from the company's expansion into the United States coupled with its wealth and commercial management business, which has brought in high-margin revenue. In the past five years, Royal Bank has grown at an average compounded annual growth rate (CAGR) of 7.9%, paying a dividend in that time that has increased every year since the Great Recession and currently sits at 4.02%. That's a solid amount of cash you can choose to reinvest or keep for your household income.

Reinvest those dividends

I'd choose to reinvest those dividends — especially if I find a stock with a whopper dividend yield, like **Inter Pipeline**

(TSX:IPL). This company is known for its juicy dividend yield, which currently sits at 8.3% — one that has increased year over year.

If investors are worried that dividend yield isn't sustainable, they should relax. Inter Pipeline has a number of growth projects in the works — its largest is a petrochemical complex called Heartland, set to come online in 2021. Once it does, it will add to the company's already steady stream of cash flow coming in. That means an increase in share price coupled with a continuing increase in dividend yield.

Reinvesting those dividends means you can take a larger piece of the pie every single year — a great option when looking to create that nest egg.

Have patience

This last point is key. While stocks that jump day after day can be exciting, they can also be scary. What comes up quickly usually comes crashing back down, so finding slow and steady stocks is an important part of any long-term portfolio.

Look at **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), for example. The company has been on a pretty strong and steady increase in the last two decades, gaining 974% in that time. That's something investors should love to see, especially when considering a similar timeline.

The reason CP is a great option is because it's now in a prime position for continued share growth. The company did a large shakeup a few years back, selling assets and restructuring its business to reinvest in its infrastructure. The new business is now more efficient, with management continuing to focus on bringing cash back to shareholders. Part of that comes through the company's 1.12% dividend yield, which was just increased by an incredible 27.5%. That's a lot of confidence coming from management in only the beginning of 2019.

Bottom line

Putting these three points together and taking these stock choices along with them, you and your partner could be looking at a huge payout by retirement.

With an investment of $42,333 in each stock, and looking at historical performance, that would leave Royal Bank, Inter Pipeline, and CP worth $109,599, $151,272, and $412,256, respectively, in 20 years' time. That doesn't even take into consideration the reinvested dividends you've been paying for a total of about $675,000. Leave it a few years more, and you'll easily be looking at that million-dollar mark.

CATEGORY

1. Investing

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2. NYSE:RY (Royal Bank of Canada)
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