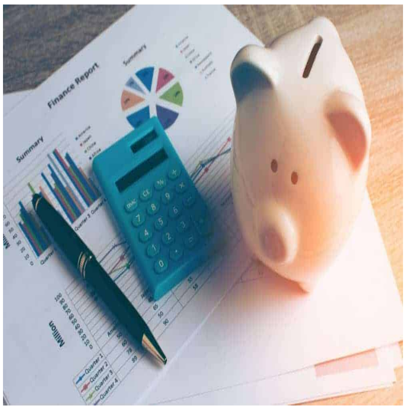

# How Young Canadians Can Turn a $10,000 TFSA Into $110,000 Retirement Fund

## Description

Canadians in their 20s and 30s might not have retirement as a top-of-mind concern.

Paying off school debt, buying a house, covering daycare costs, etc., all tend to be higher on the priority list when it comes to allocation of cash. However, studies show that getting a head start on your retirement planning can have a huge impact on the amount of money you initially have to save and how big your fund will be when you finally decide to hand in your name badge and enjoy the golden years.



Using a TFSA to hold dividend stocks is one way investors can start building a retirement portfolio. The idea is to use the distributions to buy news shares and continue the process for decades. Over time, the power of compounding takes effect, and a small initial investment can snowball into a substantial fund.

The best stocks tend to be industry leaders with business that generate rising earnings to support steady dividend increases.

Let's take a look at one of Canada's largest companies to see why it might be an interesting pick to get your TFSA retirement plan started.

## Enbridge

**Enbridge** (TSX:ENB)(NYSE:ENB) made a $37 billion acquisition in 2017 that created an energy infrastructure giant with oil, gas, and gas liquids pipelines and natural gas distribution businesses across Canada and throughout the United States. Enbridge can now move oil or gas from nearly all of the major production locations to most of the key markets for the products.

In the past two years, the company has worked hard to streamline its operations. Enbridge already found buyers for $8 billion of $10 billion in non-core assets it identified for monetization. In addition, the company brought four subsidiaries in house through the purchase of shares it didn't already own.

Enbridge is working through a $16 billion capital program that can be funded internally and expects long-term growth in distributable cash flow to be 5-7% per year. The company raised the dividend by 10% in 2019 and intends to boost it by an additional 10% in 2020. The stock currently provides a yield of 6.3%.

Long-term investors have done well with the stock. A $10,000 investment in Enbridge 20 years ago would be worth more than $110,000 today with the dividends reinvested.

## The bottom line

Young investors can use the TFSA to build a substantial retirement fund. The great thing about the TFSA is that all the distributions and capital gains are tax-free, so when the time comes to cash out, all of the proceeds can go straight into your pocket.

Enbridge is just one of many TSX Index stocks that have generated strong returns over time and should continue to be solid buy-and-hold picks.

**CATEGORY**

1. Dividend Stocks
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