Retire Early: Turn Your $6,000 TFSA Into $100,000 in 20 Years

Description

The introduction of the Tax-Free Savings Account (TFSA) by the Canadian government in 2009 raised the possibility of early retirement among eligible Canadians. This facility was meant for the citizens to set aside hard-earned money and learn to invest. It also raised hopes of prospering to secure financial futures.

Those who took advantage early on invested in strong dividend stocks with the end view of living off dividends in 20 years' time. Their plans are underway and their TFSA balances are growing. If you have dreams of early retirement and want to call it quits at a young age, you can invest in Canada's largest and leading telecoms company.

A stock for early retirement

BCE (TSX:BCE)(NYSE:BCE) is a blue-chip stock in the telecommunications company. The assets of this $54 billion, leading communications services provider are vital to the country's communications infrastructure. The company is also one of the nation's largest wireless operators and the market leader in internet and TV.

Even the other large North American rivals can't match the breadth and scope of products and services of BCE. In terms of brand value, the company is also unmatched. BCE carries the famous Bell brand, which has consistently been in the list of the top 100 Canadian brands.

Last year, BCE ranked number one among Canadian communications companies and placed third overall after **Royal Bank of Canada** and **Toronto Dominion Bank**. Brand Finance gave Bell a triple-A brand rating based on brand strength, risk, and potential relative to competitors.

If you combine the superior value and brand recognition with the established position in the industry, you have an investment option of the highest quality. BCE possess an economic moat that is very difficult to imitate or duplicate.

Dependable dividend payer

The only way you can turn your initial $6,000 TFSA investment into $100,000 is through a stock that has consistent and sustainable dividend growth. BCE has a dividend payout policy in place that is followed strictly. The company allocates 65-75% of free cash flow as dividend payments. It has become incumbent for management to grow common dividends and distribute them to shareholders.

BCE's dividend-growth model is inspiring. The company has increased annual common share dividend by 117% since the fourth quarter of 2008. It's currently at $3.17 per share. This reflects BCE's sound and strong financial position. The current yield of 5% makes BCE one of TSX's top dividend-paying stocks.

Prepare to grow your TFSA

If I'm saving for retirement with a 20-year window, I would add about $2,000 annually to my initial $6,000 TFSA. Without factoring in any compounding effect and using a straight-up computation of 5% annual dividend, I would be $20,000 shy of my target.

From $23.50 in 2009, the stock has appreciated by 156% to $60.51 as of this writing. Hence, achieving $100,000 in 20 years is not unthinkable when the capital gains and compounding effect kicks in. More so, there is less worry for the would-be early retiree because BCE is also a recession-proof stock.

It's time you grow your TFSA.

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