



TFSA Investors: Become a Millionaire by Loading Up on Canada's Best Banking Stocks

Description

Personally, I'm maxing out my TFSA each and every year to chase an elusive goal: I want to become a TFSA millionaire.

The logic is pretty simple, actually. \$1 million invested in a TFSA account translates into a \$40,000 tax-free annual income, using the standard 4% withdrawal rate. That's the equivalent of approximately \$60,000 in employment income, once we factor in taxes and other deductions.

That might not be quite enough for someone looking to retire a few decades from now — thanks a lot, inflation — but it should be plenty when combined with CPP payments or other savings. Having your house paid off and being free of other debts will also help.

In other words, a [million dollar TFSA](#) should be plenty.

I believe one of the best ways for investors to achieve this goal is to load up on high-quality stocks — the kinds of companies that have a demonstrated history of outperforming the market. That list begins with Canada's top banks. These companies have made investors rich for generations now, and I don't see them slowing down.

Let's take a closer look at one banking stock, **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), and see just how rich it can make you.

Why BMO?

Some investors believe it doesn't really matter what bank stock you choose. They'll all do pretty well.

Others choose quality, which usually means buying one of the two leaders in the sector. Bigger is better, at least in their minds.

I view things a little differently. I like to buy a bank with a good combination of a value price today and

growth potential in the future. These two qualities should equate into a little better total return over the next few decades. Remember, even getting 1% more annually can make a big difference over time.

Bank of Montreal is that banking stock today. Although it's only the fourth-largest bank in Canada, I really like its mix of Canadian and U.S. operations. The Canadian division continues to chug right along — even if mortgage growth weakens — which should lead to plenty of predictable income. And remember, BMO has plenty of other divisions if mortgage growth is tepid, including credit cards, wealth management, and insurance.

I'm particularly bullish on the company's vast collection of ETFs. Low-cost ETFs are rapidly becoming the go-to choice for passive investors, and BMO's ETFs already give it a big advantage marketing to these folks.

Now, let's talk about BMO's U.S. division, which has quietly grown into a powerhouse. Approximately 30% of the bank's total earnings come from its U.S. operations, with that part of the business reporting bottom-line growth of more than 30% in fiscal 2018.

Finally, BMO is a dividend-growth machine, offering investors a wonderful combination of current yield today (4.1%) and increased dividends going forward. It grew its payout from \$3.04 per share in 2014 to \$3.72 in 2018. 2019's payout should be above \$4 per share. BMO also has the best dividend streak of any stock on the TSX, paying [uninterrupted dividends since 1829](#).

Get rich from BMO stock

Some investors might think a boring, old blue-chip stock like Bank of Montreal isn't sexy enough to make them a millionaire. These folks are dead wrong.

Over the last 20 years, if you'd reinvested your dividends into more shares, BMO shares returned 11.05% per year. That's easily enough to make someone wealthy over the long term.

Say you put \$6,000 into your TFSA each year for the next 30 years and buy nothing but BMO shares. These shares return 11.05% annually, which we've just established is very possible. At the end of 30 years, you'll be sitting on a TFSA worth more than \$1.4 million.

It's simple. Canada's top banking stocks should be cornerstone positions in any TFSA. They really can help you get rich.

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1. Editor's Choice

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