



Canadian Couples: How to Turn Your \$12,000 TFSA Contribution Into a \$100,000 Retirement Fund

Description

Young families are facing many financial challenges.

Rent, daycare, car loans and food costs are hefty expenses, so realizing the dream of retiring with a big pot of money might not seem feasible.

Fortunately, there are ways to save some serious cash for the golden years — the secret lies in getting started early.

Canadians currently have \$6,000 per year in Tax-Free Savings Account contribution room. That's \$12,000 per couple. If the funds are invested in dividend stocks and the distributions used to buy additional shares the TFSA can harness the power of compounding to grow the fund.

The increases start out quite small, but over the course of 20 or 30 years, the small initial investment can become a substantial amount of money.

The great thing about the TFSA is that full value of the dividends can be reinvested without having to set some aside for taxes. In addition, any capital gains that occur when the stocks are sold are also tax-free.

Which stocks are good picks?

Ideally, you want to find businesses that have leadership positions in their industries with strong track records of dividend growth supported by rising revenue and earnings.

Let's take a look at **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to see why it might be an interesting choice to start your TFSA retirement [portfolio](#).

Earnings

TD is a very profitable company. In fact, the bank reported adjusted net income of \$12 billion in fiscal 2018. Yes, you read it right; TD generates \$1 billion in profits every month!

The company is best known for its retail banking strength in Canada, but the U.S. business is also an important contributor to the bottom line. TD actually operates more branches south of the border than it does at home.

The U.S. group has grown significantly over the past 15 years through a series of acquisitions and now accounts for more than 30% of TD's overall profits.

Dividends

Management is targeting earnings-per-share growth of 7-10% per year over the medium term and investors should see dividends grow in line with rising earnings.

TD has increased its dividend by a compound annual rate of about 11% over the past 20 years. The current payout provides a [yield](#) of 3.8%.

Returns

Long-term investors have done well with this stock. A \$12,000 investment in TD just 20 years ago would be worth more than \$100,000 today with the dividends reinvested.

The bottom line

TD has generated great results for buy-and-hold investors and the stock should still be an attractive pick.

Many companies in the **TSX Index** have delivered equal or better returns over the same time frame and the strategy of owning top dividend stocks and investing the payouts in new shares is a proven one.

It takes some discipline and a bit of patience, but young couples can achieve their goal of setting aside some serious cash for the golden years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date

2025/08/02

Date Created

2019/07/22

Author

aswalker

default watermark

default watermark