



TFSA Investors: Turn Your \$6,000 Contribution Into \$100,000 in 7 Years

Description

Investing for the long term in quality dividend-paying companies, while holding that investment in a tax-sheltered vehicle, like a [Tax-Free Savings Account](#) (TFSA), is one of the most proven means of creating wealth. TFSAs are ideal because essentially all dividends, as well as capital gains received, are tax free for life, and funds can be withdrawn at any time. That reduces or even removes one of the greatest destroyers of investment returns: taxes.

For 2019, the TFSA contribution limit has been set at \$6,000, which increases each year after being adjusted for inflation and rounded to the nearest \$500. By using that \$6,000 to buy the right quality dividend-paying stock, you can not only benefit from a TFSA's tax-advantaged status, but access the magic of compounding and build wealth even faster.

Quality high-yielding stock

One top stock to consider is **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). It possesses many of the defensive characteristics of an electric utility but also strong growth potential, pays a [regular distribution](#), and has hiked that payment for the last nine years straight, giving it a very juicy 6% yield.

Brookfield Renewable is the world's largest publicly listed clean energy utility with 17,400 megawatts of capacity, of which 75% is derived from hydro, 21% from wind, and the remainder from solar. The partnership's assets span North America, South America, Asia, and Western Europe. This mixed exposure to developed and emerging markets provides Brookfield Renewable with a handy combination of stable revenues from mature economies, along with the higher rates of growth associated with developing nations.

Improved hydrology coupled with acquisitions, improved efficiencies, and a more diversified portfolio of power-producing assets saw Brookfield Renewable report some solid first-quarter 2019 results. The partnership's share of electricity generation shot up by 8% year over year to 7,246 gigawatt hours, while net income soared to US\$43 million, which was just over five times greater than the previous year. Adjusted EBITDA also surged by 12% to US\$652 million, and funds from operations — a crucial

measure of financial performance — shot up by an impressive 18% to US\$227 million.

This strong financial performance should continue, as Brookfield Renewable commissions new assets that are under construction, drives greater efficiencies from existing assets, renegotiates power-purchase agreements, and recycles capital. The ongoing transition to a carbon-free world and the push to reduce greenhouse emissions to slow climate change will act as powerful tailwinds for the partnership.

For these reasons, Brookfield Renewable's targeted 6-11% annual FFO growth per unit, which will support the planned 5-9% distribution growth, appears eminently achievable.

Those characteristics combined with that steadily rowing juicy 6% yield and Brookfield Renewable's distribution-reinvestment plan (DRIP) make it an ideal investment to build wealth.

You see, by utilizing the DRIP to reinvest distributions and purchase more units, investors can avoid paying brokerage and other costs associated with purchasing additional units. This allows them to access the power of compounding, which is magnified by Brookfield Renewable's distribution increases, while avoiding additional transaction costs which eat into returns.

If you had invested \$10,000 in Brookfield Renewable 10 years ago and reinvested all distributions received, it would be worth \$47,273 today, which represents an annual average return of 16.8%. In comparison, had all distributions been taken as cash, then that initial investment would only be worth \$37,642, which equates to an average return of 14% annually. That underscores just how effectively Brookfield Renewable can build wealth for investors.

Putting it together for investors

While historical returns are no guarantee of future performance, it is likely that the partnership will deliver similar returns over the long term for the reasons discussed. If you invest the 2019 \$6,000 TFSA contribution in Brookfield Renewable, then add \$6,000 annually and reinvest all distributions paid, it would take just over seven years to turn that investment into \$100,000. This highlights just how quickly a quality income-paying stock like Brookfield Renewable can build wealth for investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

PARTNER-FEEDS

1. Msn
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Author

mattdsmith

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