How to Get Your TFSA to $1,000,000

Description

There isn't a sure-fire way to turn your Tax-Free Savings Account (TFSA) into $1,000,000 by the time you retire. There are just too many factors influencing the markets and individual stocks for anyone to be 100% certain that by the time they decide to take out their funds, there will be a million dollars waiting for them.

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What investors *can* do, however, is choose tried and true stocks that have a solid history of growth, even during market downturns. Those stocks usually have taken a part of the market that can't be touched by competitors, a market downturn, and factors that would most assuredly affect other stocks.

That's why today I'll be looking at **Canadian Pacific Railway** (TSX:CP)(NYSE:CP). Railway stocks in Canada are one of the safest bets investors can make, especially before a market downturn. Even during a decline, the rails keep running, picking up products across the country because people need to eat, drive their cars, build a home, etc.

Given that CP shares a duopoly in Canada, it would be next to impossible for competitors to edge in on its revenue. That's why the company has had such a long and strong history of both share and dividend growth.

That's the next thing you need to look at, according to fool writer David Jagielski. In a recent article, Jagielski outlined a conservative and aggressive approach to hitting that million-dollar mark. I'd say sticking to CP would be another conservative approach, as the company has both of his recommendations: growth and dividends.

Thirty years ago, CP traded at $23.50 per share. As of writing, that share price has increased to about $312 per share. That's an increase of 1,228% since 1989. While that can seem like a huge number, I'll just give a brief reminder that many millennials weren't even born yet when that trading price was on the books. Hence why this method is yet another conservative approach.

The dividend yield has also come up in that time. Today, however, we're likely more interested in recent growth, as that's something the company can control. In the past five years, CP's dividend has grown 137%, with a trailing five-year annual growth rate of about 19.5%. In comparison, the stock price has grown 44% in the last five years.

The company has seen a huge growth in earnings over the last few years, growing 70% year over year in its second quarterly report and beating analyst estimates. Part of that stellar growth comes from the company's shift to focusing on its bottom line. Cutting assets, restructuring management, and reinvesting to create a more functional company has all added to the beginning stages of CP becoming a powerhouse of income.

The future looks bright, as the company continues to reinvest in its infrastructure and shipments continue to be strong. In the next 12 months alone, analysts predict a potential upside of 20% for the stock.

But taking a more conservative approach, let's look at the last 30 years and see how long it would take for investors to reach that $1,000,000 mark using all TFSA contribution room of $63,500 and reinvesting dividends.

If you bought at the share price of $312, you would get about 205 shares. Today's annual dividend is 1.07%, with an average dividend-growth rate of 19% and annual stock growth rate of 8%. With shares reinvested, in 29 years you would end up with $1,050,593.78. So, to retire by 65, a 36-year-old would need to start today.

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alegatewolfe

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