TFSA Investors: Turn $6,000 Into $50,000 in Fewer Than 6 Years

Description

Tax-Free Savings Accounts (TFSAs) are an increasingly popular and tax-effective way to grow wealth. The accounts, which were introduced in 2009, allow investors to receive dividends, interest payments, and capital gains tax free if the appropriate rules are followed. Importantly, all withdrawals are typically tax free and can be made at any time, increasing the attractiveness of a TFSA as a tax-sheltered investment.

While many investors look to bonds and guaranteed investment certificates (GIC) to generate returns, it is high-quality dividend-paying stocks that offer one of the fastest and proven means of maximizing the advantages of a TFSA to create wealth. One that stands out for all the right reasons is **Brookfield Property Partners** (TSX:BPY)(NASDAQ:BPY). Unlike many smaller real estate investment trusts (REITs), Brookfield Property owns a globally diversified portfolio of top-tier commercial properties including office, retail, and entertainment assets.

Quality assets

The marque status of many of those properties, particularly for the partnership's retail assets, means that they are essentially immune to many of the pressures weighing on the real estate industry, notably shopping malls. That makes Brookfield Property an attractive long-term investment for investors seeking exposure to less-volatile hard assets like global real estate.

This appeal is further underscored by Brookfield Property's regular quarterly distribution, which it has hiked for the last six years straight to yield a very juicy 6.8%. This payment is sustainable when it is considered that it has a payout ratio of trailing 12-month funds from operations (FFO) of 94%. Growing revenue, net operating income, and FFO will all contribute to not only ensuring that the distribution remains sustainable but allow Brookfield Property to continue hiking it on a regular basis.

The partnership provides investors with a hassle-free means of accessing the magic of compounding. They can reinvest the distributions paid through Brookfield Property's distribution-reinvestment plan at no extra cost to purchase additional units.

The significant advantage that this provides becomes clear when it is considered that over the last five years, had an investor invested $10,000 and reinvested all distributions paid, the initial investment would be worth $14,919, which is an annual return of 8.2%. Whereas if the distributions were taken in cash, then the initial amount would only be worth $14,731, equating to an annualized return of 7.9%.

Foolish takeaway

While there is no guarantee that past returns are representative of future performance, if an investor invested their $6,000 TFSA contribution in Brookfield Property, added $6,000 annually, and reinvested all distributions, they would have $50,000 in just over five years. The likelihood of Brookfield Property consistently delivering solid long-term returns is high, especially when the quality of its property portfolio is considered along with the strength of its management team and capital-recycling strategy.

Brookfield Property is targeting 5-8% annual distribution growth, further boosting returns and the power of compounding. This goal appears achievable when Brookfield Property's proven history of FFO growth, which has a compound annual growth rate of 8% per diluted unit since 2014, is considered.

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