How to Turn Your $10,000 TFSA Into $100,000

Description

If you have $10,000 in your TFSA right now, you might think that's not a lot of money. And while it won't be enough to build up for retirement, I'll show you how you can use even a modest amount like $10,000 to be a cornerstone for your savings later on in life.

If you settle for what's typically considered a market return of around 7% per year, then in 30 years' time, your investment might grow to over $76,000. That's a long period of time, and while it's a big increase, you may have been hoping to earn a bit more than that. The good news is that it's definitely possible to earn more than 7% if you're willing to be active and to take on some risk along the way.

There are three different factors that will play a big role in how much you save over the long term: time, money, and risk. If you don't have lots of money or time, you can make up for it by adding some risk. However, I'm not referring to investing into penny stocks or investments that could go to zero tomorrow; I'm simply saying you should be okay with some uncertainty along the way.

Combining growth and dividends

While dividend stocks might offer some of the most conventional ways to grow your savings, they often lack good growth prospects to maximize your overall returns. That's where finding a stock that can provide a bit of both growth and dividends can be very powerful for investors.

A good example of this is **Fortis** (TSX:FTS)(NYSE:FTS). Over the past five years, the stock has risen around 55%, which averages around 9% per year. That's an above-average return, and with the company's growth and expansion, it may not come as that big of a surprise that it has outperformed the markets so well. By comparison, the TSX has risen by just 6% during the same period of time.

However, what makes Fortis even more appealing is that it has a great dividend as well. With payouts yielding around 3.4%, it's a solid dividend that can give your portfolio a lot of recurring income. Not only that, but the company has regularly increased its payouts over the years and it plans to continue to do so.

But even if we do not factor in any dividend growth, you could still be earning about 12.5% every year by owning Fortis stock and benefiting from its payouts and capital appreciation. While there's definitely no guarantee that the dividend will continue or that the stock will continue rising at that high of a rate, if it does prove to be the case, it could generate significant growth for your portfolio.

Bottom line

At 12.5%, your savings would grow at a much quicker pace than just 7%. And if those returns would remain at that combined rate for the next 20 years, your $10,000 investment would grow to over $105,000.

However, it's important to remember this is just an example, but by combining dividends and growth, you can have the best of both worlds and maximize your overall returns. While Fortis itself isn't a risky stock, there is still uncertainty in how the stock will perform over the long term.

CATEGORY

1. Dividend Stocks
2. Investing

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