The Best Way to Grow Your TFSA

Description

It’s great to see that a recent **RBC** poll indicated that more Canadians have a Tax-Free Savings Account (TFSA) than a Registered Retirement Savings Plan (RRSP). There’s a big difference between the two types of accounts: the former is tax-free for life and the latter is only tax-deferred.

The poll revealed that “among those with a TFSA, the most-common holding in these plans are savings accounts and cash (42%), followed by mutual funds (28%), stocks (19%), GICs/term deposits (15%), ETFs (7%), and bonds (6%).”

It’s no wonder that 43% of Canadians believe that TFSAs are good for saving money but not growing it. It’s because Canadians are largely using TFSAs for low-risk, low-return investments like savings accounts, cash, and GICs/term deposits.

Tools are as great as the way you use them. And there are much better ways to grow your money in your TFSA.

The best way to grow your TFSA

The best way to grow your TFSA reliably is to invest in top-notch dividend-growth stocks when they're trading at good valuations.

One top-quality dividend stock is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). If you'd bought the stock right before the market crash about 10 years ago, you would have almost six times your money.

The stock delivered about 16.3% per year and greatly outperformed the market! In the same period, the U.S. stock market only delivered 7.1% per year.

To put things in perspective, a $10,000 investment in CN stock would have turned into $57,904, including returning more than half of your investment back from dividends alone.

Canadian National Railway is essential to North America because it's the only transcontinental railway on the continent. Its network spans Canada and Mid-America, connecting the three coasts of the Atlantic, the Pacific, and the Gulf of Mexico.

CN's dividend is very safe. Although it only yields 1.7% today, it has increased its payout for 23 consecutive years with a 10-year dividend-growth rate of nearly 15%! Its payout ratio is still less than 35%.

Therefore, investors can expect many more years of dividend growth to come. Over the next few years, you can expect dividend growth of more than 10% per year.

Foolish takeaway

If you're looking to grow your TFSA, you should certainly look into quality dividend stocks, including as CN stock, and buy them when they're attractively priced.

If CN stock falls 8% or more from current levels over the next 12 months, it'll start to be compelling. In the meantime, you can consider good-valued quality dividend stocks such as **Enbridge**.

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kayng