



## Canadian Couples: How To Grow Your TFSA to \$1 Million

### Description

Saving for retirement is becoming a priority for many Canadian families.

In the past, it wasn't that big an issue, as most people worked for the same company their entire lives in jobs that often had generous defined-benefit retirement packages.

Today, many people make their living in the "gig economy," which means that they're contract workers with no benefits. Contract work offers the freedom to choose where and when you work, but requires taking on the responsibility for building your own pension fund.

People who prefer to work for organizations on a full-time basis also have to manage their own pensions these days, as they often change companies and careers multiple times over the course of their working lives.

This can result in combinations of defined-benefit and defined contribution plans or the requirement to invest your own funds in a LIRA if you take a payout when you leave a job.

Generally, this results in a lower total package than you might have had if you'd stayed at the same company for 30 years.

Regardless of the pension mix, couples are turning to the Tax-Free Savings Account to help them put additional cash away for their retirement.

In 2019, each person has up to \$63,500 in TFSA space, which equates to \$127,000 for a couple. Turning this into a total [retirement fund](#) of more than \$1 million might seem impossible, but it's actually very achievable.

### How to retire rich

A popular strategy to build long-term wealth is to buy quality dividend stocks and invest the distributions in new shares. The great thing about the TFSA is that all the payouts are tax-free and any

gains that occur when you finally sell the shares are 100% yours to spend.

The best stocks have long track records of increasing their payouts, supported by strong businesses that enjoy competitive advantages in their respective markets.

Let's take a look at two stock that might be interesting picks.

## Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) owns power generation, electric transmission, and natural gas distribution assets in Canada, the United States, and the Caribbean. The majority of the company's revenue comes from regulated businesses, meaning that the cash flow should be reliable.

Fortis has increased the [dividend](#) for 45 straight years and anticipates annual increases of 6% per year over the medium term.

A \$10,000 investment in the stock 20 years ago would be worth \$130,000 today with the dividends reinvested.

## Royal Bank

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest company with a market capitalization of more than \$140 billion.

The business generated \$12.4 billion in profits in fiscal 2018 and is on track to beat that level this year.

Management is making the necessary investments in digital solutions to remain competitive in the changing financial sector and has the firepower to make strategic acquisitions to fuel growth.

Earnings per share are expected to grow at 7-10% per year and the dividend should increase in line with those targets. The current dividend provides a yield of 4%.

A \$10,000 investment in Royal Bank 20 years ago would be worth about \$125,000 today with the dividends reinvested.

## The bottom line

Fortis and Royal Bank are just two companies in the **TSX Index** that have delivered strong returns over the past two decades.

A couple who had \$100,000 invested in these stocks 20 years ago would be sitting on more than \$1.25 million today!

There is no guarantee that these companies will repeat the performance, but the strategy of buying quality dividend stocks and investing the distributions in additional shares is a proven method of building wealth.

A number of other top Canadian stocks have generated similar or better results and would also be

attractive picks for a balanced retirement portfolio.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

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