



How to Grow a \$100,000 TFSA to \$1,000,000 in 13 Years

Description

The power of compound interest, or earning interest on interest, becomes more powerful as time elapses, and especially so if you make regular contributions and aim for a higher rate of return.

The best GIC rate is about 2.5%. However, you can get [save dividend yields](#) of 4.5% from quality stocks and aim for a 10% rate of return. This combination with an annual contribution of \$6,000 (\$500 per month) compounded annually with dividends reinvested can get your Tax-Free Savings Account (TFSA) from \$100,000 to \$1,000,000 in 13 years.

| Year | Portfolio Value | Annual Dividend | Portfolio Value with Dividends Reinvested |
|------|-----------------|-----------------|---|
| 0 | \$100,000 | \$4,500 | \$100,000 |
| 1 | \$116,600 | \$5,247 | \$121,550 |
| 2 | \$134,860 | \$6,069 | \$146,981 |
| 3 | \$154,946 | \$6,973 | \$177,042 |
| 4 | \$177,041 | \$7,967 | \$212,636 |
| 5 | \$201,345 | \$9,061 | \$254,847 |
| 6 | \$228,079 | \$10,264 | \$304,977 |
| 7 | \$257,487 | \$11,587 | \$364,596 |
| 8 | \$289,836 | \$13,043 | \$435,593 |
| 9 | \$325,419 | \$14,644 | \$520,242 |
| 10 | \$364,561 | \$16,405 | \$621,285 |
| 11 | \$407,617 | \$18,343 | \$742,027 |
| 12 | \$454,979 | \$20,474 | \$886,451 |
| 13 | \$507,077 | \$22,818 | \$1,059,364 |
| 14 | \$564,385 | \$25,397 | \$1,266,566 |
| 15 | \$627,423 | \$28,234 | \$1,515,052 |
| 16 | \$696,766 | \$31,354 | \$1,813,272 |

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| | | | |
|----|-------------|----------|-------------|
| 17 | \$773,042 | \$34,787 | \$2,171,425 |
| 18 | \$856,946 | \$38,563 | \$2,601,825 |
| 19 | \$949,241 | \$42,716 | \$3,119,350 |
| 20 | \$1,050,765 | \$47,284 | \$3,741,970 |

Buying **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) and **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) today can help you reach a \$1,000,000 TFSA in 13 years. If you invest the same amount in each stock today, you'll get an average yield of approximately 4.7%, which is higher than our 4.5% target.



Brookfield Infrastructure Partners

Brookfield Infrastructure seemed to only have emerged in the past 10 years. However, in reality, it has been around for much longer, as it was a spin-off and still has strong ties with **Brookfield Asset Management**.

The future is blindingly bright for BIP, as it will benefit from a growing global infrastructure sector; the company has operations in the utility, transport, energy, and data infrastructure industries.

About 95% of BIP's cash flows are either regulated or have long-term contracts and about 75% are indexed to inflation. In the last 10 years, the company wonderfully increased its funds from operations (FFO) at a compound annual growth rate (CAGR) of 18%, which allowed it to reliably increase its cash distribution at a CAGR of 11% in the period with ample retained cash flow for investment.

Bank of Nova Scotia

Scotiabank's earnings growth is expected to be flat this year, which is why the stock is trading at about 9.5 times earnings.

The stunted earnings growth should be temporary, as the bank made several key acquisitions last year that diluted shareholders in the near term.

Specifically, Scotiabank became the third-largest active asset manager in Canada after acquiring

Jarislowsky Fraser (JF) and absorbing JF's \$40 billion in assets under management and more than 500 institutional and high-net-worth clients and acquiring MD Financial Management and its 110,000 customers and \$49 billion in assets under management and administration.

Furthermore, it doubled its market share in Chile and, in a separate transaction, expanded its operations in Colombia by acquiring **Citibank's** consumer and small and medium enterprise operations in the region.

There were also setbacks, as Scotiabank chose to exit almost a dozen non-core geographies and decided to primarily focus on Pacific Alliance countries: Chile, Colombia, Mexico, and Peru.

Should Scotiabank be positioning itself correctly in these key areas, now is the best time to grab the stock at a 20% discount from its historical trading levels (barring a market crash happening, of course).

Foolish takeaway

A long-term investment in the stocks of Brookfield Infrastructure and Scotiabank should deliver a rate of return of at least 10%. Therefore, investors should consider them and other [quality dividend stocks](#) to grow their TFSAs to +\$1,000,000.

CATEGORY

1. Bank Stocks
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3. Investing
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1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
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