



Millennials: Yes, You Could Realistically Retire a TFSA Multi-Millionaire

Description

Imagine the freedom you'd have with a TFSA that totaled \$2 million, \$3 million, or even \$5 million.

With an annual contribution limit of only \$6,000, getting a TFSA balance well into seven figures seems impossible. But with disciplined saving, smart investing, and the power of compound interest, it's very possible to get there. It's even easier for a couple who both maximize their TFSA contributions.

Let's look at how a 25-year-old saver can get these impressive TFSA balances, including examples of stocks that can help her get there.

\$2 million

If a 25-year-old investor catches up on their unused TFSA contribution room (\$48,500) as an initial contribution and then maxes out their TFSA at \$6,000 per year for the next 40 years, all they'd need is a 7% return to end up with a \$2 million TFSA at the traditional retirement age.

There are many Canadian stocks that offer sustainable 7% dividends, which means any capital gains delivered by the stock would be an added bonus. One of my favourite high-yield stocks in the Canadian market today is **Inter Pipeline** (TSX:IPL), an Alberta-based operator of oil sands pipelines, conventional oil and natural gas pipelines, and fuel storage facilities. The company is also spending aggressively on its latest growth project — a plant that will convert propane into various resins used to manufacture plastics.

Inter Pipeline offers a 7% yield today with a payout ratio of approximately 60% of funds from operations, which is exactly what investors should want to see. The stock has also grown its payout each year for the past decade. Finally, the stock has capital gains potential, too, including a recent bid (that was ultimately rebuffed) for the company at a [20% premium to the current stock price](#). Inter Pipeline shares could realistically march much higher.

\$3 million

It's going to be a little more difficult for our imaginary TFSA investor to amass a \$3 million portfolio by the time they hit a traditional retirement age. This person would need to average an 8.3% return to get there, which is still very achievable.

To get such a return, I'd turn to one of Canada's most iconic stocks. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) offers investors the stability of being the head honcho of Canada's banking system, potential growth from buying assets in the United States, and a rock solid dividend yield of 4.2%. Royal Bank's dividend alone will get this investor halfway to their long-term return goal.

It seems like everything Royal Bank touches turns to gold. The company is Canada's largest mortgage provider. Its wealth management division is top notch. Even its credit cards are regularly ranked as some of the best in Canada. Profits generated from these divisions are used to beef up operations in the United States. This focus on expanding stateside has firmly entrenched Royal Bank as a top-10 North American bank.

\$5 million

With savings discipline and great investing results, it is possible to grow your TFSA into an account worth \$5 million in just 40 years. In fact, it's probably not as hard as you'd think to get there. You only need to average a 9.9% return.

To get that kind of total return, an investor needs to get a little more growth. One growth company with plenty of potential left is **Saputo** ([TSX:SAP](#)), Canada's largest dairy provider. The company also has milk and cheese operations in the United States, Argentina, across Europe, and in Australia.

Saputo has been a growth-by-acquisition machine over the last two decades. Highlights include more than doubling revenue and operating earnings since 2010, as well as offering investors a dividend that has increased each year since 1999.

Over the last 15 years, Saputo has delivered 13.2% total annual returns if dividends were reinvested. With huge potential to add to its impressive portfolio still there, I believe the company has potential to [achieve similar returns going forward](#).

The bottom line

As you can see, it's very possible to become a TFSA multi-millionaire. All it takes is patience, steady savings, and good investing. Add in the results from your spouse's account, and it's official. A TFSA alone can provide a very comfortable retirement.

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