How to Get to $1 Million in Your TFSA

Description

The number one mistake Canadians make with their TFSA is not taking full advantage of the tax-free benefits. Instead of investing in high-yield dividend stocks and exchange-traded funds (ETFs), Canadian savers are keeping 42% of their TFSA funds in low-interest cash. What's worse, just 15% of Canadian savings are invested through Government-Insured Certificates (GICs).

By all means, short-term savings should be kept in more liquid investments – just not low-interest cash savings. Options exist extending beyond cash, such as short-term GICs, which offer higher interest than the typical savings account. Thus, Canadians should maintain short-term savings in GICs.

Canadian savers can purchase a 30-day GIC with a minimum deposit of $1,000 at a higher interest rate than a savings account. For example, Oaken Financial, a subsidiary of **Home Capital Group,** gives investors the highest interest rates on GICs in Canada. Interest rates on short-term and cashable GICs with Oaken Financial range from 2.30% to 2.50%, depending on the term length.

By actively investing and rolling over short-term GICs, you can quickly grow your emergency savings without sacrificing liquidity. Once you feel comfortable with your available liquid savings, you should focus on investing long-term savings in high-dividend stocks like **Nutrien** (TSX:NTR)(NYSE:NTR).

Aspiring millionaires should trust long-term savings to Nutrien

In a primary Canadian export industry, Nutrien has a long history of price stability and above market-average performance during times of global economic crisis. The stock hit an all-time high of almost $200 per share in the summer of 2008. Apart from the volatility during the 2008 financial crisis, the stock's price has been mild-tempered for the past few years.

Today, Nutrien stock trades at the bargain price of just under $70 per share at writing, offering a dividend yield of 3.51%. Given the strong dividend returns, considerable capital gain potential during economic downturns, and stable price performance during bull markets, TFSA investors should stock up on Nutrien. It is probably one of the safest stocks on the **Toronto Stock Exchange** (TSX).

The 3.51% dividend yield is higher than the interest on savings accounts, and aspiring millionaires can trust that their initial investment is safe from economic hardship.

Nutrien trades at an inexpensive price-to-book ratio (P/B) of 1.68, less than the approximate industry average P/B ratio of 2.31. The P/B ratio compares the price of the stock to the company's net assets. Thus, the current market valuation discounts Nutrien's net assets by almost 30% versus similar TSX stocks.

Foolish takeaway

Even low-income savers can get to $1 million in their TFSA if they play their cards right and invest in the highest-return assets for their desired liquidity level. While it may seem like a drag to spend the extra 15 minutes every month purchasing and rolling over short-term emergency savings in high-interest GICs, those 15 minutes will pay off at the end of the year.

Moreover, it may seem daunting to research high dividend stocks like Nutrien in which to protect your longer-term savings, but smart savers know that the risk pays off in 10 years.

The trick to becoming a TFSA millionaire is to learn as much as you can about making informed decisions in the stock market, and I know you can do it. It's not as hard as it seems.

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1. NYSE:NTR (Nutrien)
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