



Long-Term Investors: Why \$1,000,000 in Your TFSA Is Not Far-Fetched

Description

Making \$1 million in your TFSA is not as unlikely as it may seem. While it won't be easy, it also won't be too difficult if you can combine good financial discipline with solid fundamental investing and a fair amount of time.

Using compound interest and looking at the numbers it becomes clear that the number one thing that will make it easier for investors is time. The longer the period you have for investing, the less you have to earn each year to get to \$1 million. This makes it easier and will allow you to do it with a lower level of risk.

The next most important thing you need is the savings. Having the discipline and ability to save some money each month for investments, will pay dividends, literally. The more cash you have, the higher the absolute returns you will see, regardless of the percentage.

The compound affect will be key here and combined with a longer investing horizon, it could potentially set an investor up with much more than \$1 million.

Currently the maximum [TFSA](#) contribution room is \$63,500 and the annual contribution amount is \$6,000.

Now the contribution room grows over time with interest, but assuming it stays the same and you are able to contribute the max amount each year, for an average investor who is 40 years old, has maxed out their TFSA, and will continue to do so for the next 25 years until retirement, they could have more than \$1 million by earning just 9% annually.

Obviously, every investor is going to have a different situation, a different time horizon and a different ability to save money. If you're curious and want to play around with your situation there are plenty of compound interest calculators for savings on the internet.

Two companies that have grown at impressive rates consistently and are perfect for long-term investments are **Brookfield Asset Management Inc** (TSX:BAM.A)([NYSE:BAM](#)) and **Enbridge Inc** (TSX:ENB)([NYSE:ENB](#)).

Brookfield

Brookfield is one of the best performers in recent history for Canadian investors. Anyone that has owned it long term has been rewarded handsomely. Its 20-year compounded annual growth rate (CAGR) in its stock price from September 1999 till present is roughly 15.6%. In addition, its 10-year CAGR is roughly 16.5%.

These are astronomical numbers, but the one that really stands out to me is its CAGR since the peak of its stock in 2007. If you were to have bought in at the absolute worst time and held the stock till now, it would have still grown at a CAGR of more than 9% — and that's just in share appreciation and doesn't include dividend payments over time.

Its operating performance has been just as impressive, with return on equity consistently above 10%. It's an extremely well-run company and investors today can buy in expecting more of the same for decades.

Clearly, Brookfield is a top stock to own forever and one that should be in anyone's portfolio that is owning long-term stocks to become a TFSA millionaire.

Enbridge

Enbridge is another stock with a history of providing shareholders with consistent returns. Its 20-year CAGR in its stock price is well over 9% and its 10-year is just under 9%.

Again, this is only reflective of the share price and doesn't even include dividends. If you were to include dividends, it would be more than 12% per year for the last decade.

Enbridge will continue to grow because of its business operations and because it's a top-notch company. The diversification in its business helps to insulate it from just the energy markets and its massive size and scale make it incredibly durable.

With its ability to handle depressed economic environments and its dividend that yields more than 6%, Enbridge is a core stock for any long-term portfolio.

Bottom line

Finding key long-term stocks and holding them forever is the best option if you want to make \$1 million in your TFSA. It's best to accumulate the cash over time and continue to buy the best stocks when they're at their cheapest.

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1. NYSE:BN (Brookfield Corporation)
2. NYSE:ENB (Enbridge Inc.)
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4. TSX:ENB (Enbridge Inc.)

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