Millennial Investors: How to Become a TFSA Millionaire in Just 20 Years

Description

Imagine having a seven-figure TFSA by the time you hit 50. Wouldn't that be nice?

Think about all the freedom that would give. Assuming the rest of your financial life were in order, it would mean an early retirement would be possible. Maybe you'd want to use that cash to take care of your children or spoil the grandkids. Or perhaps it would all get spent on selfish pursuits like travel or golf.

Whatever your retirement desires are, a fully stocked TFSA will go a long way towards making them a reality.

Let's take a closer look at how you can make this dream come true. Here's how to amass a seven-figure TFSA in just 20 years.

It's not as hard as you'd think

Just how much cash do you need to invest to get to a million-dollar TFSA in just 20 years?

It's probably not as difficult as you'd think.

First off, someone who is 30 years old today can use every nickel of TFSA contribution room available, which works out to $63,500. They can also put in $6,000 each and every year going forward, a number that will slowly go up over time because of inflation.

To amass a $1 million nest egg in just 20 years, you'd need to accomplish an annual return of approximately 11.5% per year. That's a little high but easily achievable.

So, how do you achieve such a return? You likely won't get there buying index funds. The TSX Composite Index is up approximately 7% per year over the last two decades. The S&P 500 has fared a little better, but it likely won't deliver the required returns, either.

We'll have to choose great individual stocks to help us meet our goal. Here are two this analyst thinks are poised to return at least 12% annually for years to come.

Dollarama

Except for a big hiccup about a year ago, **Dollarama** (TSX:DOL) shares have been some of the best performers on the Toronto Stock Exchange over the last decade. Even after accounting for the big decline in late 2018, the company has still delivered an average return of 31.5% annually since 2009 if we include reinvested dividends.

You might think Dollarama's growth story is almost over, but the company still has plenty of potential. It has done a masterful job increasing same-store sales by adding higher-priced items and getting a larger variety of products in its stores. It still has expansion potential in Canada; some analysts think it could still add 1,000 stores to its +1,200 locations. And the company recently announced it would acquire 51% of Dollarcity, a fast-growing chain of dollar stores in Latin America.

Put all these growth paths together, and I can envision a future where Dollarama shares increase by 12% each year for at least a couple decades.

Intact Financial

Another company with huge long-term growth potential is property and casualty insurer **Intact Financial** (TSX:IFC), which has begun making acquisitions in the United States after becoming Canada's largest home and auto insurer.

Its most recent acquisition, which was announced back in August, will see it pay approximately US$1 billion for The Guarantee Company of North America, a specialty insurer with operations in both the United States and Canada. Intact expects the acquisition will help it improve its total loss ratios and decrease total expenses through synergies.

Intact has been a growth-by-acquisition monster over the last decade. It has increased the top line from $4.24 billion in 2009 to just under $11 billion in 2018. Despite this growth, shares trade at a very reasonable 17 times forward earnings today.

Like Dollarama, Intact has delivered excellent total returns for its shareholders. Over the last decade, Intact has returned 18.2% annually if investors reinvested their dividends. That's enough to turn a $10,000 investment into one worth more than $53,000.

The bottom line

Even if you slightly miss the goal of a $1 million TFSA over 20 years, it's still a great idea to have growth stocks like Dollarama and Intact Financial in your portfolio. These companies are poised to deliver outsized returns for years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:IFC (Intact Financial Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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