TFSA Investors: This Stock Could Make You a Millionaire

Description

Many investors have an ambitious goal. They want to become TFSA millionaires.

This goal becomes much more obtainable if you start early, like most investing goals. If you're 25 today and you contribute the maximum allowed — which is currently $6,000 — into your TFSA annually and manage to achieve an 8% return, you'll be a millionaire by the time your 58th birthday comes around. A further nine years of holding turns the account into something worth $2 million.

If you're a little older — or greedier — then your returns will have to be better. Someone who is 45 will need to average a 12% annual return to become a TFSA millionaire by the time they hit 70, assuming they contribute the full $6,000 per year. That's a whole lot more difficult.

But it's certainly not impossible. You'll need to carefully invest to make this happen, since earning a 12% annual return is no easy task.

I think there's at least one Canadian stock that's poised to return that much annually, making it the perfect stock to buy and stash away in your TFSA for a very long time. Let's take a closer look.

Limitless growth

One path to excess returns is buying stocks with huge growth potential. Despite putting up great numbers for years now, **goeasy** (TSX:GSY) is still only beginning to realize its potential in the subprime Canadian lending market.

The company has done a masterful job of transforming itself, going from a furniture and electronics retailer with a focus on financing these items for folks who have bruised credit to a legitimate alternative to the scummy payday loan industry. Legislation has made offering ultra-short-term loans much more difficult, so goeasy has filled the void with its unsecured installment loan.

While the interest rate — currently north of 45% annually — might look pretty extreme for you or I, there are thousands of Canadians with little choice. They're forced to sign up for this product to help make rent, pay overdue utility bills, or do emergency car repairs.

The company's long-term growth has been nothing short of remarkable. It has grown the top line by more than 12% annually since 2001. Earnings per share have increased even faster, with growth checking in at more than 22% per year. More recently, revenue increased from $304 million in 2015 to $506 million in 2018, with the top line on pace to exceed $550 million in 2019. Earnings per share, meanwhile, jumped from $1.69 to $3.56 in the same period, with analysts predicting further increases to $5.41 per share in 2019 and all the way up to $6.89 per share in 2020.

Shares currently trade hands at just over $57 each, giving the stock a price-to-forward earnings multiple of just 8.3. You won't find many stocks cheaper, never mind one with this much growth potential.

You see, despite posting excellent results for most of the last two decades, goeasy is just getting started. The specialty financial services sector in Canada is fragmented, giving it plenty of opportunities to expand into other parts of the market. For instance, the company is currently dipping its toe into secured mortgage lending, offering a product for home owners with bruised credit who need a little extra cash. It could also expand into other specialty offerings — like reverse mortgages — that have high growth potential as well. And there's always the opportunity to expand into the United States.

The bottom line

If you're looking for the kind of company that can generate some eye-popping returns, look for further. Over the last decade, goeasy shares have appreciated 707.69% including reinvested dividends — good enough for a 23.2% annual return. That's enough to turn a $10,000 original investment into something worth more than $80,000.

There's no guarantee the stock can pull this off over the next decade, of course. But if any company has the growth potential to do it, it's goeasy. It really is just getting started.

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1. Dividend Stocks
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1. TSX:GSY (goeasy Ltd.)

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