How to Retire at 55 With $1,000,000 in Your TFSA

Description

Retiring early is always the dream, but sometimes it can seem like a bit of a fantasy. However, with the right strategy, it's certainly not impossible. Below, I'll show you how, with a good investment, you can achieve long-term growth and build a significant nest egg that can help you during your old age.

I'll use **Enbridge** as an example here. The stock pays a good dividend, and it should increase in value over the years. While the past five years may not have been particularly kind to oil and gas stocks, we are starting to see a bit more stability in the industry, and it wouldn't be unreasonable to expect that, on average, the stock will grow in value. With a solid business model that's allowed the company to consistently post a profit, Enbridge is one of the safer oil and gas investments you can make today.

Even though the company has a solid track record of growing dividends, I'll assume for the purpose of this example that it'll stay constant at around 6%. I'll also assume that it averages a growth rate of 8% per year, which should be attainable as long as the oil and gas industry doesn't see any big shocks again. Over the past year, Enbridge has risen 11% in value, and so using 8% should add some conservatism to the following example.

The target amount I usually set for retirement is $1,000,000. The reason being is that by reaching that with a dividend of 5%, you could generate $50,000 a year in tax-free income (assuming this is all within a TFSA), which could put you in a good position, especially if you've got any other sources of income to add on top of that. Getting to $1,000,000, however, is going to take some commitment.

If you're starting early on, which is the assumption in this example, then I'll assume you wouldn't have a lot saved up and instead will need to build on your savings over the years. By putting aside $500 every month and contributing about $6,000 a year, it would take a little more than 31 years to hit the $1,000,000 mark. I'll also assume that dividends are not re-invested, and that the TFSA as we know it remains intact all these years.

Age	Year	Total Contributions	Beginning Portfolio Balance	Growth	Ending Portfolio Balance
24	1	$6,000	$6,000	$480	$6,480

25	2	$12,000	$12,480	$998	$13,478
26	3	$18,000	$19,478	$1,558	$21,037
27	4	$24,000	$27,037	$2,163	$29,200
28	5	$30,000	$35,200	$2,816	$38,016
29	6	$36,000	$44,016	$3,521	$47,537
30	7	$42,000	$53,537	$4,283	$57,820
31	8	$48,000	$63,820	$5,106	$68,925
32	9	$54,000	$74,925	$5,994	$80,919
33	10	$60,000	$86,919	$6,954	$93,873
34	11	$66,000	$99,873	$7,990	$107,863
35	12	$72,000	$113,863	$9,109	$122,972
36	13	$78,000	$128,972	$10,318	$139,290
37	14	$84,000	$145,290	$11,623	$156,913
38	15	$90,000	$162,913	$13,033	$175,946
39	16	$96,000	$181,946	$14,556	$196,501
40	17	$102,000	$202,501	$16,200	$218,701
41	18	$108,000	$224,701	$17,976	$242,678
42	19	$114,000	$248,678	$19,894	$268,572
43	20	$120,000	$274,572	$21,966	$296,538
44	21	$126,000	$302,538	$24,203	$326,741
45	22	$132,000	$332,741	$26,619	$359,360
46	23	$138,000	$365,360	$29,229	$394,589
47	24	$144,000	$400,589	$32,047	$432,636
48	25	$150,000	$438,636	$35,091	$473,726
49	26	$156,000	$479,726	$38,378	$518,105
50	27	$162,000	$524,105	$41,928	$566,033
51	28	$168,000	$572,033	$45,763	$617,796
52	29	$174,000	$623,796	$49,904	$673,699
53	30	$180,000	$679,699	$54,376	$734,075
54	31	$186,000	$740,075	$59,206	$799,281
55	**32**	**$192,000**	**$805,281**	**$64,422**	**$869,704**

Bottom line

This is just one strategy that utilizes a high dividend. It’s not the only approach that you can take as you can focus less on dividends on more on growth, and that can result in higher returns. But with Enbridge, you’re investing in a stock that should generally be pretty stable over the years. And should you decide to swap out into another stock, you can always do that as well.

The key to reaching the $1,000,000 mark in your TFSA is being committed to putting aside money every month that you can invest in a blue-chip stock like Enbridge. And if you can't start at the age of 24, you can catch up in later years when your income may be higher and your debt is lower so that you can invest a larger lump sum or make larger annual investments.

As long as you're saving money and investing it into good, quality stocks, you'll have a very good chance of being able to have a lot saved up by retirement.

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djagielski