



How to Retire With a \$1,000,000 TFSA

Description

No matter where you are in your career, it's never too late to start saving up for your retirement. Ideally, you should start saving as early as possible. How early you start, as well as your savings plan, will decide how big of a nest egg you will have once you retire. A number that many people aim for is a million.

Even though some experts predict otherwise, a million is a decent sum to comfortably retire on. How will you amass this sum? Do you need to understand the market inside-out to accumulate that kind of cash? No. All you need is a TFSA and [a safe stock](#) to invest in — like **Genworth MI Canada** (TSX:MIC).

Why TFSA and not RRSP?

Whenever Canadians start planning for a safe retirement, they have two options: the decades-old RRSP and the relatively new TFSA. Which one suits your needs best? Ideally, you would fare much better having both accounts and saving in both of them for retirement. They both have their merits, and it's always better to have two safety nets than one.

For now, though, we will stick with a TFSA. It is a more flexible account with great potential for compounded growth. Plus, the amount you accumulate in it will be tax-free and ready to use without any deduction. Whether you contribute cash, dividends, gain interest, or capital gains, your money in a TFSA will be yours alone, with no chunk being kept aside for the government.

Even if you don't have an account yet, you have the overall contribution limit available to you since the inception of TFSA in 2009. This limit translates to an amount of \$63,500. The contribution limit is expected to increase by \$500 every year in addition to any contribution limit expansions you get by withdrawals.

A well-paying stock

When you want to play it safe and don't want to frequent stock buys and sells, a Dividend Aristocrat is ideal for you. Genworth MIC is one such company, with a history of increasing dividends for the last 10 years. The company is currently trading at \$52.98 per share and has a dividend yield of 3.85%.

Genworth MIC is the largest private residential mortgage insurer in the country. The company is not just stable; [it has grown](#), even in some of the worst years of the housing market. Now that the market has settled down, relative to the very shaky last two years, the company is seeing even more growth and is expected to stay in the green for years to come.

Say you are 30 years old now. You start by investing your maximum TFSA allowed amount of \$63,500. You plan to reinvest all the returns you get as dividends in addition to contributing your maximum allowed limit for each year. By the time you retire at 65, you will be sitting over a comfortable nest egg of a little over a million. If the dividend yield increases significantly, you might accumulate a million much earlier.

Foolish takeaway

Retiring might not seem like such a gloomy prospect if you have a substantial sum to live comfortably on. By making a smart investment like Genworth MIC and using your TFSA the right way, you can accumulate that sum without many problems.

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