TFSA Investors: Here's How Long it Takes to Turn $63,500 Into $635,000

Description

Have you ever asked yourself how large of a TFSA balance you could accumulate? If you're just putting cash in your TFSA, the answer is, "actually pretty small."

The total accumulated TFSA contribution room since 2009 is $63,500. That's not nothing, but if you're saving for retirement, it will only get you a fraction of the way there.

True, there's a new year's worth of contribution space opened up every year. However, most years, it's not much more than $5,000-$6,000, so the total addition isn't much.

If you really want to reach a high TFSA balance, you'll need to invest your funds in such a way that guarantees a solid return. While high-growth stocks can be tempting, there's a level of risk there that's not appropriate for most investors. However, even with average gains, you could go from $63,500 to $635,000 in surprisingly little time.

The rule of 72

The rule of 72 is a simple yardstick that tells you how long it would take to double a given investment.

The formula is 72 divided by the annual return of the investment.

10% has historically been the average annual return for the S&P 500, so we can use that as a starting point for our calculation.

At a 10% rate of return, you'd take 7.2 years to double your $63,500 TFSA balance. This could be achieved with a stock like **Toronto-Dominion Bank**, whose 15-year annualized return is almost exactly 10%. We can't be sure that the stock will keep up those gains forever, but the company's earnings growth has been around 10% annually, and its shares are fairly cheap.

How long it would take to get a 10-bagger at 10% CAGR

The rule of 72 is a convenient yardstick for telling you how long it would take to double a particular investment.

It's also useful for telling you how long it would take to quadruple, increase eight-fold, etc.

However, for the purposes of that article, we're specifically talking about going from $63,500 to $635,000 — numbers that won't work well with the "rule-of-72" calculation.

Instead, we can arrive at a number by using a simple "compound interest" calculation (which also works for stock price increases). Using that calculation, we arrive at just slightly over 24 years for an investment to grow to 1,000% of its original value at 10% a year. That would take you from $63,500 to $635,000 in fewer years than an average person works in their adult life. And you don't even need an enormous annual return.

Stocks for this strategy

As previously mentioned, TD Bank is one Canadian stock whose historical returns work very well for the "slow-and-steady-10-bagger" strategy. It's an ultra-conservative yet relatively high-growth bank whose earnings have been rising much more than the average Canadian bank in recent years. If you'd bought TD in 1996 and held, your shares would have risen about 1,000% by today.

However, given that we're looking for the absolute "safest" way to meet the market here, I think a U.S. ETF like **Vanguard S&P 500 Index Fund** is actually the best bet. U.S. markets tend to outperform Canadian markets over the long term, and index ETFs give investors a level of diversification they can't dream of by picking stocks. Additionally, passively managed ETFs have very low fees, so you don't need to worry too much about the expense ratio eating into gains.

As far as individual shares go, TD is my nomination, but good old VOO is probably the safest bet.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date

2025/09/18
Date Created
2019/10/28
Author
andrewbutton