Retire Rich: How Young Canadians Can Turn $100,000 Into a $1 Million TFSA Wealth Fund

Description

Young Canadians have been dealt a tough hand with the promiscuous labour force, a sluggish economy, crippling student debt, out-of-reach housing prices, and rock-bottom bond yields, making it tough to build wealth without taking on at least some form of risk.

On the bright side, the TFSA is a powerful tool that can be used to not only levitate the playing field for young Canadians relative to their Baby Boomer (or Gen X) parents but gain a wealth-creating edge over them when they were the same age.

The "free lunch" in the form of high bond yields is gone, and it's likely not coming back anytime soon. As technological disruption continues displacing human workers, the world economy may have to battle with deflation, making the case of high interest rates a relic of the past.

So, as a young Canadian, it's in your best interest to stay invested in equities with your TFSA, even with those shallow recession warnings that are unavoidable when reading financial columns.

In many prior pieces, I've warned investors that the most significant risk to young investors is being out of the stock market in spite of all the negativity that's been circulated of late.

Why?

By overweighting bonds, cash, and cash equivalents, you're not only guaranteed not to lose money, but you're also guaranteed not to grow your purchasing power. And with by holding such low-return assets in your TFSA, you're potentially surrendering tens of thousands of dollars in tax-free gains that you'll put up over the years.

Come 2020, many Canadian investors will see their TFSAs pass the six-figure mark. And for today's young investors, a million-dollar TFSA is not only achievable given a multi-decade-long time horizon, but it's also inevitable for those who check their emotions at the door. It doesn't take legendary stock-picking skills to hit a million-dollar TFSA either, although it would help accelerate your move past the million-dollar milestone significantly!

It can be as simple as buying and holding proven long-term outperformers like **Fortis** (TSX:FTS)(NYSE:FTS) and never thinking about selling.

Yes, Fortis is a very dull investment that won't make you rich overnight. But over the course of decades, you are getting a proven market beater with a moat that can hold its own under any economic environment.

Fortis's 3.6% yield and 5-6% in annual dividend raises aren't that attractive through the lens of a short-term thinker. There are 6%-yielders that are growing their dividends by +10% out there, after all! Unlike the quicker dividend growers like **Enbridge**, Fortis is less subject to wild moves and is more likely to zig when the markets zag.

Fortis's regulated operations make for a rock-solid cash flow stream. Best of all, it's subject to above-average growth versus your average utility thanks to exceptional stewardship and a deep foundation in the more attractive U.S. market.

When you start looking to Fortis as a bond alternative (or bond proxy), it becomes more apparent that Fortis is the closest thing to a "free lunch" as you're going to get in this market environment.

So, forget about fixed-income assets, because they're not as rewarding as they were for prior generations, and they're not going to allow you to build your wealth effectively over the decades.

In essence, Fortis is the bond of this generation, only better.

Stay hungry. Stay Foolish.

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