Want to Get Your TFSA to $1,000,000? Don’t Make This Mistake!

Description

Using a TFSA to help grow your savings is a terrific way to help avoid paying taxes on your investment income, whether it comes via dividends or capital gains. And there is no shortage of strategies that you can deploy to try and get your TFSA to the $1,000,000 mark.

However, there are also pitfalls along the way that could put your plans at risk if you’re not careful. Dividend income is an excellent example of where investors can become too reliant on payouts being there to stay or, in the case of dividend-growth stocks, that the payouts will continue rising.

That can be problematic, as there’s no guarantee that dividends will continue at the same rate. A great example of this is **AltaGas** (TSX:ALA). Towards the end of 2018, its dividend payments were slashed significantly from $0.183 every month to just $0.08. The stock had been struggling, and that made its dividend yield a whopping 16%.

It came as a bit of a surprise especially given that dividends had increased by more than 66% from the $0.11 payments the company was making back in 2011. Investors who may have been projecting the dividend to continue growing and built it into their model for long-term growth would have been in for a rude awakening.

And that’s why investors should never assume that dividends will continue to grow or that a stock will continue to rise. Whenever you’re trying to forecast where a stock or a dividend will be for 10 or 20 years, or even longer, there’s going to be a lot of uncertainty involved.

Prior to the downturn in the oil and gas industry, AltaGas would’ve looked like a solid dividend stock to have in your TFSA. Alas, that has changed significantly, and now the stock comes bearing significant risk.

One way to prevent this: focus on ultra-conservative stocks

For investors who are risk-averse, they can mitigate this risk by investing in a very conservative stock like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

While there may be some uncertainty as to its future, bank stocks have, over time, been one of the safest investments available for investors. With a handful of big banks in the industry in Canada, there's little doubt that they will be around decades from now, at least in some form. Downturns can happen in the economy, but with strong profits and lots of resources, TD is one of the safest stocks that you can hold over the long term.

If TD were to fail and prove to be a risky buy, then it would be difficult to imagine any other stock being able to avoid a similar fate, either. The stock doesn't have the same commodity-based risks that AltaGas has and as long as the economy is doing well, it's safe to say that TD should be performing well. That's why it's a great long-term buy. The downside is that there may not be the same potential for investors to earn capital appreciation.

Over the past two years, TD stock has risen by less than 5% and would have been a disappointing investment to hold if not for its dividend. But if you're holding TD for the long term, there's much more potential for the stock to rise.

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3. TSX:TD (The Toronto-Dominion Bank)

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