Retirement Wealth: How to Turn a $12,000 TFSA Investment Into $100,000

Description

Canadians use their TFSAs to meet a variety of savings goals.

One popular strategy involves buying quality dividend stocks and using the distributions to acquire more shares. This takes advantage of a powerful compounding process that can turn modest initial investments into a significant retirement fund over the course of 20 or 30 years.

Let's take a look at two stocks that might be interesting TFSA picks right now and are good examples of how the process works.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank. The company has roughly 100,000 employees and continues to grow its operations through acquisitions in Canada and Latin America.

Last year, the bank beefed up its wealth management business with the purchases of MD Financial and Jarislowsky Fraser. Bank of Nova Scotia paid more than $3.5 billion to secure the two companies and has rolled them into a new global wealth management business unit.

The Canadian banks see wealth management as a key driver of revenue growth in the coming years, and the purchases should help Bank of Nova Scotia compete in the market.

Bank of Nova Scotia is also growing its Latin American business. The company spent US$2.2 billion in 2018 to buy a majority stake in BBVA Chile. The deal doubled Bank of Nova Scotia's market share in the country to 14% and is another step in the company's strategy to build a dominant business in the four Pacific Alliance countries that include Chile, Mexico, Colombia, and Peru.

The trade bloc is home to more than 230 million people and offers significant growth opportunities for Bank of Nova Scotia, as middle-class income expands, and businesses extend their operations into the joint markets.

Bank of Nova Scotia raised its dividend when it reported fiscal Q3 2019 results. The bank remains very profitable, and the dividend provides a 4.7% yield.

A $6,000 investment in Bank of Nova Scotia 20 years ago would be worth $60,000 today with the dividends reinvested.

Telus

Telus (TSX:T)(NYSE:TU) is a leading player in the Canadian communications industry, providing customers across the country with mobile, TV, and internet services.

Telus doesn't have a media business, but the lack of sports teams, television networks, and specialty channels doesn't appear to be hurting the business. Telus continues to add new subscribers at at steady rate, and its focus on customer service is paying off with the lowest mobile churn rates in the sector.

As more entertainment shifts to streaming services, Telus should see demand for broadband grow across its various platforms.

The company also has an interesting health division that has the potential to become a significant contributor to revenue and profits in the coming years. Telus Health is already a leader in providing Canadian doctors and hospitals with digital solutions. The health sector is undergoing a major digital disruption, and Telus stands to benefit.

The board has historically raised the dividend by 8-10% per year, and that trend is expected to continue over the medium term. The current payout provides a yield of 4.7%.

A $6,000 investment in Telus 20 years ago would be worth $42,000 today with the dividends reinvested.

The bottom line

Bank of Nova Scotia and Telus are top dividend stocks and should continue to be solid picks for a diversified TFSA retirement portfolio.

A couple who each split $6,000 between these stocks just two decades ago would now have more than $100,000 with the dividends reinvested.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TU (TELUS)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:T (TELUS)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/20
Date Created
2019/11/12
Author
aswalker