

Retire Rich: How to Turn a \$63,500 TFSA Into \$1 Million (or More!)

Description

Some investors who haven't gotten around to contributing to their TFSAs are undoubtedly discouraged. They think they've missed out on all of the good stock market returns, or that they'll never have enough to retire.

As the old saying goes, the best time to plant a tree was 20 years ago. The second-best time is now. That applies for investing, too. There's no better time to get started. Until we invent time machines, anyway.

In fact, even somewhat late bloomers can still use their TFSAs to build substantial retirement savings. I'm talking results that are significantly into six figures, with some lucky folks getting their accounts up to \$1 million.

Here's how you can turn your TFSA into a hardcore wealth-building machine.

Start immediately

The biggest part of amassing serious TFSA wealth is putting cash away regularly inside the account. You'll want to <u>maximize your contribution</u> room as soon as possible and then contribute as much as the government will allow.

Let's crunch some numbers. If you're 35 years old today and you max out your TFSA with a \$63,500 contribution right now, and then put an additional \$6,000 in each and every year until you hit age 65, you will have a good chance of ending up a millionaire from your TFSA alone.

In fact, all you'd need to end up a millionaire in that scenario is a measly 6.7% return. An 8% return would make your TFSA worth \$1.37 million by the time a traditional retirement age rolled around.

Even if you're 40, getting to a \$1 million TFSA isn't impossible. You'd need to contribute the maximum available, keep maxing out the contribution room going forward, and then earn an 8.5% return. That won't be easy, but it's certainly not impossible.

Here are a couple of stock ideas you can use to help achieve your long-term TFSA goals.

TC Energy

TC Energy (<u>TSX:TRP</u>)(<u>NYSE:TRP</u>) has quietly grown into one of North America's largest energy infrastructure companies. It owns oil pipelines, natural gas pipelines, and various power generation assets all across North America, including recent forays into Mexico.

Despite being denied its application to build a pipeline across Canada, TC Energy still has plenty of growth potential. It's in the middle of a \$30 billion growth program, which will be completed by 2023. The most notable project is Coastal Gaslink, a \$6.2 billion network of natural gas pipelines that will allow Canadian gas to be exported to Asia.

TC Energy's steady growth over the years has helped the company deliver one of Canada's most impressive dividend-growth streaks. It has increased its dividend each and every year since 2000, and management has already promised dividend raises of between 8% and 10% for 2020 and 2021.

And, perhaps most importantly, the stock has delivered terrific long-term returns. Over the last 20 years, including reinvested dividends, the company formerly known as TransCanada gave investors an 11.84% annual return. That's enough to turn a \$10,000 initial investment into something worth more than \$93,000 today.

Telus

Telus (TSX:T)(NYSE:TU) is another stock that would look good in anyone's TFSA. Canada's third-largest telecom provider has more than nine million wireless subscribers, nearly two million internet customers, and more than a million television subscribers. This translates into plenty of predictable cash flow.

One of the things I really like about Telus compared to its peers is it doesn't have a <u>media division</u>, which I believe to be a worse business than telecom. Instead, Telus has expanded into the healthcare and security sectors, both of which look to be pretty promising over the long term.

Like TC Energy, Telus has delivered exceptional dividend growth over the long term. The company has raised its dividend twice annually since 2010, more than doubling the payout since then. The current yield is a robust 4.6%.

Telus has also posted stellar total returns over the long term, giving investors a 10.44% return over the last 20 years if dividends were reinvested. That's enough to turn a \$10,000 investment into something worth nearly \$73,000.

The bottom line

Even if you're just beginning your TFSA journey today, you can still retire rich. All you'll need to do is max out your contribution room, buy good stocks like TC Energy or Telus, and keep your cash working. If you do that, I predict you'll be pretty happy with the result when you hit 65.

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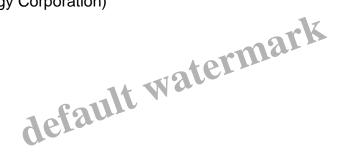
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