



## Retire Rich: How to Turn \$57,500 Into a \$1 Million TFSA Pension Fund

### Description

It is a shame that in a well-developed, relatively rich country like Canada, the basic Canadian Pension Plan (CPP) and Old Age Security (OAS) payments combined are not even enough for apartment rent in a city like Toronto, let alone other living expenses like special healthcare needs or helping grandchildren meet their education goals.

We can respond to this situation by either getting annoyed and bringing that negative energy to our family and friends, or we can utilize our handy TFSA accounts because distributions taken from that account in retirement are completely tax-free.

This is a massive benefit if you can [get into the right stocks](#) early enough and have the conviction to hold on to them for a couple of decades or longer.

### The company and play

The power of compounding is immense, and high-growth under-the-radar stocks that can hit double-digit earnings growth can supercharge a TFSA account like nothing else can. A stock that fits that bill is **Martinrea International** ([TSX:MRE](#)), a leading Canadian automotive supplier in lightweight structures and propulsion systems for cars.

In other words, companies like **Ford** give purchase orders to Martinrea for various car components so that Ford doesn't have to do all the manufacturing and can instead focus on assembling the car.

Its a great business model for both Ford and Martinrea and leads to lots of cash flow growth, as long as the economy is ticking and bobbing at a good pace and demand for cars is robust.

Despite not being as well known or as big as **Magna**, the company is no slouch, with operations spanning 52 locations including sales and engineering centres with over 10 million square feet of manufacturing space and 15,000 employees in nine countries, including Canada, the United States, Mexico, Brazil, Germany, Spain, Slovakia, China, and Japan.

To be honest, the company stumbled quite a bit in the last few years, mostly because it couldn't execute its strategy effectively, but the last couple of years have been very good operationally speaking.

This is also why Martinrea should be on the radar of smart investors, because the market has yet to recognize that the company's operational and execution issues are behind it, and Martinrea version 2.0 is taking shape swiftly and profitably.

## Pathway to a million dollars

So, how do you take \$57,500 in Martinrea and turn it into a million bucks? It's simple. The company's operating cash flow has doubled in the last five years, going from \$259 million in 2014 to \$504 million for the last 12 months.

This doubling has had very little impact on the stock price, which is trading at the \$11-\$12 level it was trading at in 2014.

In my experience, when cash flow doubles, share price growth eventually follows, and for that kind of growth, shareholders would easily drive the share price up by 10% each year.

So, if you take \$57,500 and invest in Martinrea stock and leave it alone for 20 years, it should grow to a million bucks given my expected share price growth target of 10% is met.

The reality is that not many of you who are reading this have that kind of dough just lying around. But you might have a few thousand dollars that you are planning to put in your TFSA come January. Even that amount can make a huge difference to your comfort level in retirement.

## Investor takeaway

When you invest in a positive cash flow company like Martinrea, not only do you get the benefit of a [company that grows its dividends](#) and repurchases its shares with the cash, but it also becomes an acquisition target for any smart private equity fund that wants to acquire cash flow positive companies.

At this stock price, I would not be shocked if the company got sold in the next couple of years at a +50% premium to the current stock price, especially as the company sharpens its execution focus.

### CATEGORY

1. Investing

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1. Editor's Choice

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1. TSX:MRE (Martinrea International Inc.)

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