



TFSA Investors: Go From \$0 to \$1 Million in Just 20 Years. Here's How!

Description

Many Canadians have the ultimate goal of becoming a TFSA millionaire, and then turning that account into something that generates bucket of succulent tax-free income.

A \$1 million TFSA could easily generate \$50,000 per year in dependable income. That's just a 5% yield. With a paid-off house and other reduced expenses, that should be enough for most Canadian couples to enjoy a pretty enjoyable middle-class retirement.

And remember, if you're under 40, chances are, you can count on a TFSA worth well over \$1 million. I recently outlined how [young investors can realistically get their TFSAs to \\$2 million](#). Heck, even \$5 million is possible if you start early enough and get excellent returns.

Things are a little tougher if you're starting later in life. Say you're currently 45 and you're looking to amass \$1 million in your TFSA by the traditional retirement age. Here's what you'd need to do to get there.

Getting to \$1 million

I won't sugarcoat it. You'll need to achieve excellent investment returns if you're going to turn no savings into a million dollars, entirely inside a TFSA, in just two decades.

Assuming the TFSA limit stays at \$6,000 per year and our imaginary investor slowly uses up all their unused TFSA contribution room, we'll invest \$9,175 per year. That will allow us to max out the account over 20 years while not requiring someone to come up with a big chunk of cash today.

To turn a TFSA into something worth \$1 million under those conditions, you'd need to achieve an average annual return of 14.4%. That's a daunting task.

But it certainly isn't impossible. In fact, there are dozens of [growth stocks](#) on the TSX that have provided those kinds of long-term returns. Let's take a closer look at one I think is poised to continue performing at least that well going forward.

An aggressive growth stock

Dollarama ([TSX:DOL](#)) has been one of Canada's top stocks since its 2009 IPO. It has delivered excellent returns.

Including reinvested dividends — which isn't much, since the company pays a paltry dividend yield of just 0.4% — Dollarama shares have increased by 1,323.90% since November 21, 2009. That translates into an compound average growth rate of more than 30%, and it's enough to turn a \$10,000 investment in the stock into something worth \$142,383 today.

I won't try to convince anyone Dollarama will return 30% annualized over the long term. But I certainly think 15% returns are possible, which would be enough for our imaginary investor to achieve their goal.

There's still ample growth potential for the company here in Canada. The brand, which recently surpassed 1,200 locations, has room for 300-500 more, at least according to analysts. And discount retailing is projected to outpace growth in the entire economy, which means the long-term market for Dollarama could easily be +2,000 stores in its home market.

One growth segment that U.S. dollar stores have successfully implemented is moving into towns of 1,000-5,000 people, a market Dollarama hasn't even begun to crack. The three largest U.S.-based chains have some 30,000 locations between them. Canada's economy is roughly 1/10th the size, which would suggest Dollarama easily has potential for 2,500-3,000 stores over the long term.

Then there's Dollarama's Latin American expansion. It recently acquired a majority stake in Dollar City, a chain of dollar stores in nations like Guatemala, Honduras, and Colombia. Dollarama's new prize has approximately 200 locations today, but plans to grow into other nations like Peru. Add this to the continued growth in the Canadian market, and it's further fuel to help Dollarama shares rocket higher.

The bottom line

Getting from zero to \$1 million in a TFSA in just 20 years won't be easy, but it's not impossible. You'll need to invest aggressively and generate great returns. Although Dollarama has already been a huge winner, the stock still has loads of potential. It's a fantastic pick if you're looking for excellent results, no matter what your underlying goals might be.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
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