



## Youthful Canadians: \$10,000 in Your TFSA Today Can Turn Into \$1,791,931

### Description

Young Canadians, you have the greatest investment advantage of all — the power of time. There is also the Tax-Free Savings Account (TFSA), arguably the best investment tool you have to help you grow your money. All your dividends, interest, and capital gains will not be taxed inside your account.

When combining the power of time with your TFSA, you can have [astonishing growth in the long term](#). But it's hard to see how this works, so let's go through some examples.

### Why the TFSA is so great

Here's an illustration of [why the TFSA is so great](#). Suppose you have two investment accounts. One of them is your TFSA; the other is a taxable account. Now imagine that you invest \$10,000 in each of the accounts today, with an annual rate of return of 7% and an income tax rate of 30%.

By the end of 40 years, your taxable account will be worth \$67,767. What do you think your TFSA will be worth? It will be worth \$149,745. This is a huge difference, over double the amount of the taxable account, just due to taxes. This highlights the power of compounding interest and the benefits of starting to invest young.

### Build massive wealth in your TFSA

Let's take a look at how holding a stock like **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) can build enormous wealth in your TFSA.

Fortis, an electricity and natural gas distribution utility company, is a top Canadian TSX stock.

Fortis is part of the utility sector, which is defensive in times of recession and a dependable dividend payer. Companies that produce electricity and deliver natural gas are among the safest investment choices, as demand is relatively constant.

Fortis earns 99% of its revenue from regulated operations, therefore cash flows are stable and somewhat predictable. The business model offsets the risk. Demand for electricity and natural gas will not go away, even in times of recession.

Fortis is also one of two Canadian utility companies with the longest record of consecutive dividend increases, sitting at almost a half-century of 47 years. The stock pays a dividend of 3.65%, with a low payout ratio of 49.59%.

Had you invested \$10,000 in Fortis 20 years ago, it would be worth \$134,196 today, with dividends reinvested. This equals a 13.85% return per year, or about 13 times as much.

If you invest \$10,000 in Fortis for the next 40 years instead of 20, and annual returns hold constant at 13.85%, it would be worth an insane \$1,791,931, or 179 times as much as the initial investment!

These high returns are not guaranteed to repeat for the next 40 years, of course, but it gives you a good idea of how investing young can affect your investment outcomes.

## Conclusion

If you're young and earning money, start investing some of it in your TFSA. Buy great investments like Fortis stock, and sit back, relax, and watch the dividends roll in while you are saving up for retirement. You could be surprised, and that \$10,000 that you invest today could be worth millions by the time you retire.

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2. TSX:FTS (Fortis Inc.)

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