



Retire Rich: How to Turn a \$63,500 TFSA Into a \$1 Million Wealth Fund

Description

Many folks — especially cash-strapped millennials who just don't have the capital to do anything further — are putting their retirement savings directly into their TFSAs and not worrying about other types of accounts.

This makes a whole lot of sense. TFSA holders will never have to worry [about the taxes](#) on their investments, and an account holder can use the flexibility of their TFSA to withdraw cash when needed.

The only problem is what to invest in. There are a million stocks out there, and you only want to hold the best ones.

Let's take a closer look at two different kinds of stocks that you can use to make all your retirement dreams come true.

Slow and steady

This isn't really a solution if you're in your 40s or 50s, but it should work if you're in your 30s.

Say you're 35 today, and already have the maximum contribution limit for your TFSA of \$63,500. You then add \$6,000 each year to the account. What return will you need to hit \$1 million in the account?

It's probably less than you'd think. A mere 6.7% average return would be enough to do it.

In fact, you don't even need any capital gains to reach the goal. You can buy a boring stock with a huge dividend, reinvest the proceeds into more shares, and feel good about a low-stress investment decision.

Rogers Sugar ([TSX:RSI](#)) is one of my favourite high-yield stocks today. A big reason why I like the sugar producer is a recent decline in the share price has created a big buying opportunity.

The decline was primarily caused by temporary weakness in Rogers's new division: maple syrup. Too

much supply has saturated the market, which has caused prices to drop. Rogers has made the decision to continue to be aggressive and defend its market share, which has led to lacklustre results over the short term.

Another piece of bad news currently impacting the stock is a lower-than-expected sugar beet harvest in Alberta will impact the company's results in 2020. It still expects to have ample supply for the domestic market, but exports will suffer.

Still, there's a lot to like about the sugar business over the long term. It's controlled by two main players, and prices are propped up by government tariffs on foreign product. Demand is steady, too. And low natural gas prices have helped profits expand.

Rogers offers investors a \$0.09 per share quarterly dividend, which is good enough for a 7.3% yield today. The company has maintained the same payout since 2011, when it converted from an income trust into a corporation. You can [count on this dividend](#).

Dividend growth

Personally, I'm more excited about buying a company with steady growth potential, a company that shares its ever-expanding earnings with shareholders. Yes, I'm talking dividend-growth stocks.

One of my favourite dividend growers on the TSX today is **Great-West Lifeco** ([TSX:GWO](#)), one of Canada's largest financial services stocks. The company has insurance and wealth management operations in Canada, the United States, and Europe.

Recent results were rock solid, with quarterly earnings increasing from \$0.70 to \$0.79 per share on a quarterly basis. Strong operating results as well as a big share buyback earlier in 2019 helped the bottom line. Analysts are bullish going forward, too, predicting the company earns \$2.96 per share this year and \$3.16 per share in 2020. That puts the stock just barely above 10 times forward earnings.

After keeping its dividend steady for a few years coming out of the financial crisis of 2008-09, Great-West Life has been a solid dividend grower over the last five years, increasing the quarterly payout from \$0.3075 to \$0.4130 per share. That's enough for a 5% yield today. And with a payout ratio of approximately 50% of next year's expected earnings, look for the company to again hike the dividend in 2020. It can easily afford it.

The bottom line

Becoming a millionaire is very possible. All it takes is steady savings, good investments, and utilizing your TFSA effectively. Multiple approaches can work, including investing in steady dividend payers like Rogers Sugar, or mixing in a little more growth with Great-West Lifeco.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:RSI (Rogers Sugar Inc.)

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