Revealing Secret: How to Triple Your TFSA Stock Portfolio From $69,500 to $208,500 in 5 Years

Description

The Tax-Free Savings Account (TFSA) is the best tool to grow your wealth. Yet, too many folks get it wrong by earning interest in low-return investments like bonds and GICs in their TFSAs.

Since you get new TFSA contribution room every year to earn tax-free returns for life, you'll become amazingly richer by investing in high-return investments over a long-term horizon being a business owner through stocks.

In 2020, the maximum TFSA contribution amount for those who have never contributed before will be $69,500. I'll share with you a secret to growing your TFSA stock portfolio from $69,500 to $208,500 in five years.

If you do the math, that's tripling your money, equating to returns of 24.6% per year. It's possible to do this with selective investing in your best stock ideas — I achieved these returns or better with quality stocks like **Alimentation Couche-Tard**, **Brookfield Asset Management**, **United Health**, and some other risky stocks in the last year or so.

However, to consistently achieve total returns of 24.6% per year or better over five years or longer periods is wishful thinking — unless one condition is met: the market crashes.

This is why Warren Buffett's **Berkshire Hathaway** is sitting on more than US$71 billion of cash and cash equivalents and US$53 billion of short-term U.S. Treasury Bills, which together are about two-thirds the size of its stock portfolio!

Why is Warren Buffett holding so much cash and fixed-income investments when stocks historically generate much higher returns? The answer is simple: he is waiting for a market crash.

Sitting on tonnes of cash requires the patience of a turtle, though. It's anyone's guess when the next market crash will occur. For all we know, the bear can come out of hibernation next year or within five years. What's certain is that it *will* crash at one point. And you need tonnes of cash to take tremendous advantage of it.

Historically, there's been a big bear market every 10 years or so. And we're way past the 10-year mark since the last crash.

To prove the point, from a low of the last market crash, Couche-Tard stock was nearly a six-bagger, returning more than 41% per year over the subsequent five years.

Brookfield Asset Management stock nearly tripled, delivering almost 24% per year. United Health stock was a four-bagger, delivering annual returns of more than 32%.

More important to point out, these quality growth stocks continued to deliver total returns of 25%, 19%, and 26%, respectively, per year since the five-year mark from the crash — thanks to their reasonably or better valued shares (at the time) and maintaining superb earnings growth.

Now, these fabulous growth stocks are, at best, fairly valued, and I wouldn't count on their delivering annualized returns of 24.6% per year over the next five years. However, more reasonable returns of 8-15% per year are still in the cards, barring a market crash.

Investor takeaway

Folks invest in quality stocks for high returns. Ironically, to triple your money in five years, the best way is to sit in cash or cash equivalents and wait for a market crash of 20-50%. Can you be as patient as Warren Buffett who's sitting on trucks full of cash?

Despite the rationale of holding more cash, it wouldn't be smart to go out and sell all your stocks, because we don't know when the next market crash will happen. Staying invested is the one true way to build wealth over the long haul. Accumulating a greater percentage of cash and these other alternatives seems like the best way to go for the moment.

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