



Turn Your \$6,000 TFSA Contribution Into \$1 Million

Description

The contribution limit for Tax-Free Savings Accounts (TFSAs) has been announced, and it remains unchanged from 2019 at \$6,000. TFSAs, which have been steadily gaining recognition after being introduced in 2009 to promote saving among Canadians, are one of the most attractive means of building long-term wealth.

It is believed that around 70% of Canadians have a TFSA, and the popularity of the accounts can only continue to grow because of the advantages they provide by way of their tax-sheltered status.

Accelerate wealth creation

This means that any capital gains, interest, or dividends earned within a TFSA are tax-free for the life of the investment, removing taxes as an impediment to creating wealth and bolstering investment returns. That can [substantially accelerate](#) the pace at which wealth is created. It is never too early to start using a TFSA to build wealth and achieve your financial goals.

The secret to boosting returns and achieving financial independence sooner is to invest for the long term in quality dividend-paying stocks with wide moats and long histories of dividend hikes in your TFSA. By then reinvesting the dividends paid, you can access the power of compounding, which enhances investment returns and accelerates the pace at which wealth can be accumulated.

One such high-quality stock is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), which gained a notable 38% over the last year and pays a regular distribution yielding 4%. The partnership recently announced that it intended to acquire telecommunications company **Cincinnati Bell** in a US\$2.6 billion deal, which — along with other transactions either underway or recently completed — will significantly [boost earnings](#).

Among those other deals is the purchase of railroad operator **Genesee & Wyoming**, which is valued at US\$8.4 billion, including debt. Brookfield Infrastructure also closed the US\$3.7 billion purchase of an India telecommunications company during the second half 2019, which added around 175,000 towers to its portfolio. That gives it exposure to one of the world's fastest-growing smartphone markets and the

rapidly expanding Indian economy, which, according to some analysts, is the fastest-growing major economy globally.

The growing global infrastructure gap, which governments are incapable of addressing, will act as a powerful long-term tailwind for Brookfield Infrastructure. The partnership also possesses a wide economic moat, which along with it operating in oligopolistic markets, and that most of its revenue comes from contracted or regulated sources, virtually guarantees its earnings.

These characteristics make it the ideal stock to hold in a TFSA to build wealth, especially when it is considered that it has a distribution-reinvestment plan (DRIP), which allows investors to use their distributions to acquire additional units at no cost. That means they can access the magic of compounding to boost investment returns.

Over the last 10 years, an investment in Brookfield Infrastructure has delivered a 24% annual return if distributions were reinvested compared to 21% if they were taken as cash.

While past returns are no guarantee of future performance for any stock, it is highly likely that Brookfield Infrastructure will continue to deliver significant value for investors over the long term. If you took your \$6,000 2020 TFSA contribution, used it to buy Brookfield Infrastructure, reinvested the distributions, and added \$6,000 annually, you could accrue \$1 million in as little as 16 years.

Foolish takeaway

TFSA's, because of their tax-sheltered status, remain one of the best ways to build wealth over the long term. The returns that can be generated within a TFSA can be maximized by investing in high-quality dividend-growth stocks, which have a wide economic moat and solid growth prospects like Brookfield Infrastructure.

This can be further enhanced by reinvesting dividend or distribution payments to access the magic of compounding, which will boost returns and the pace at which earnings are accumulated, making it possible to become a millionaire in a relatively short time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/07/02

Date Created

2020/01/04

Author

mattdsmith

default watermark

default watermark