



Follow These Simple Steps to Turn \$1,000 Into \$12,000

Description

Want to turn \$1,000 into \$12,000? All you need is a few basic investing strategies.

Make no mistake: you won't be doing this overnight. But that's okay, because the following method is incredibly simple to follow. More important, it's been proven *effective* time and time again.

Compounding your money quickly is an achievable goal for all. Simply follow these three steps.

Start with a TFSA

Before we get into the fun stuff, you need to take the most important step there is: open a TFSA. If you have a TFSA, feel free to skip to the next section. If you don't, listen up.

TFSA's are traditionally known as Tax-Free Savings Accounts. Any individual aged 18 years or older with a valid social insurance number can open a TFSA.

This is essentially an investment account that allows your money to grow tax free *and* be withdrawn tax free. Withdrawals can be done at any time for any reason. It's an incredible deal.

In 2020, you're allowed to contribute up to \$6,000 to a TFSA, which is more than enough to turn your \$1,000 nest egg into \$12,000.

Establish automatic contributions

Armed with a TFSA, the next step is to establish automatic contributions. This is a critical tool that only a few percent of Canadians ever employ.

Be honest with yourself. Are you perfectly diligent at saving? Do you save a consistent amount on a regular basis? If you're like the vast majority of people, you likely fall short of your savings goals. Automatic contributions are a fast, permanent way to overcome these challenges.

Nearly all TFSAs allow you to establish automatic contributions, which withdraw a preset amount of money from your banking account, depositing the funds into your TFSA. For example, you can set up withdrawals of \$50 a week.

Now all you need to do is wait. Simply do nothing and \$50 every week will be invested into your TFSA. It's as simple as that.

Automatic contributions take your personal weaknesses out of the equation, and as we'll see, can compound your money at impressive rates.

Invest in pipeline stocks

Now that you have a TFSA with automatic contributions established, the next step is to know *where* you'll be investing your money. Pipeline stocks are the answer.

Pipeline companies have monopoly-like operating characteristics. The industry has steep barriers to entry and immense pricing power. This allows pipeline stocks like **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Inter Pipeline** (TSX:IPL) to deliver double-digit annual returns for decades at a time.

Much of the returns for Enbridge and Inter Pipeline come from dividends. Enbridge pays a 6.3% dividend, while Inter Pipeline stock yields 7.6%. By holding these stocks in a TFSA, this income is completely tax free.

Over the past decade, both Enbridge and Inter Pipeline have delivered annual returns above 10%. Both stocks have also demonstrated resilience during economic turmoil.

Let's run some numbers.

Say you start with \$1,000 and opt for automatic weekly contributions of \$50. By splitting your investment dollars between Enbridge and Inter Pipeline, it's reasonable to expect the historical return of 10% per year, especially given that all of the gains are tax free.

After just 178 weeks, you'll reach \$12,000. That's approximately 3 to 4 years. Using a TFSA with automatic contributions that invest in pipeline stocks isn't magic, but it's a highly effective way to turn a little bit of cash into a respectable pile of money.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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