



## Long-Term Investing: How to Become a TFSA Millionaire

### Description

The Tax-Free Savings Account (TFSA) is an incredible tool at every investor's disposal, capable of housing your investments while they compound into a massive snowball effect, growing and protecting your hard-earned capital.

The TFSA is just over a decade old, and although there are a number of people taking advantage of the TFSA, the full potential of this incredible investment tool may not be realised for years to come.

That's because the TFSA is designed to work best over a long period, allowing investors to continue to save their money and contribute to their account while compounding the money they have already saved.

As the TFSA is only a little over 10 years since inception, investors who have taken the proper approach and contributed the full amount each year still might not have all that much in their account; however, the longer they continue to invest this way and the more they continue to contribute each year, the faster the money will continue to grow.

With compound interest, the money ends up growing at an exponential pace, so each year longer will significantly increase the earnings potential of your portfolio.

To become a TFSA millionaire, all you need to do is take this long-term approach, save an adequate amount of money each year, and have the discipline to invest for the long term.

Investing long term will require you to find high-quality, long-term stocks that you can gain exposure to — and then forget about.

It may also help to resist checking the value of your investments too often, as each time you check can increase your temptation to sell losers or take profits, both of which you won't want to do if you're invested in the best of the best.

The current maximum contribution room in the TFSA is \$69,500, so assuming you fully invest that amount today, continue to save and contribute \$500 a month and grow your money over the long term

at a compounded annual rate of 6% — a conservative amount — in 20 years' time your portfolio would be worth roughly \$445,000.

The \$445,000 would be based off \$189,500 of savings, meaning that investors would have made more than \$250,000 in that 20 years of investing.

If you continued to save and invest for another 10 years however, you would save an addition \$60,000, bringing your total savings to roughly \$250,000. Meanwhile, your total portfolio value would be roughly \$875,000.

In years 21 to 30, investors would have saved the same amount of money annually and earned the same return rate, but grown the value of their investments by \$370,000 — more than 45% higher than the portfolio would have gained in the first 20 years.

This is the power of compound interest; the only thing more important than saving as much money as possible and investing for as long a time as possible is to select the stocks to try and get that annual growth rate as high as possible.

If we go back to that last example that had a total portfolio value of \$875,000, after 30 years at 6%, increasing the annual return rate to just 7% over those 30 years would see the portfolio stand at a total of \$1,095,000.

The example makes it evident that you will need to invest in the most high-quality stocks capable of earning strong returns consistently over the long run.

A stock like **Brookfield Infrastructure Partners LP** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is the exact type of stock to grow your wealth for decades to come.

Brookfield owns a portfolio of top infrastructure assets around the world with a stated investment objective to return at least 10%-15% returns for investors over the long term.

The fact that it's run to produce the best results over the long run, rather than being focused on hitting short-term targets is what makes it such a great stock for long-term investors as the company's strategy is similar to that of your portfolio.

Plus, the stock is yielding roughly 3.9% currently, making it a top [dividend stock to own forever](#).

This is essentially the only way TFSA investors can be successful in the long run.

Investing in high-quality stocks, saving as much money as possible and giving yourself as much time as you can are the three most important factors that will determine whether you can become a TFSA millionaire.

## 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
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## **Author**

danieldacosta

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