



## TFSA Investors: How to Turn \$500 a Month Into \$1,000,000

### Description

TFSA investors receive more contribution room for their Tax-Free Savings Accounts (TFSAs) every year. The 2020 TFSA contribution limit is \$6,000. That equates to \$500 a month.

### The purpose of the TFSA: Save and invest regularly

Some people invest, say, \$6,000, in their TFSA and are done with it, because there are too many other things, such as rent/mortgage, utilities, and vacations, that compete for their money.

If you invest \$6,000 in your TFSA this year for 15% per year, you can still reach \$1,000,000 in 37 years. However, you can achieve your financial goal faster if you save and invest regularly in your TFSA.

If you invest \$500 in your TFSA every month for 15% total returns, you'll achieve more than \$1,000,000 in 23 years.

Below is a tech stock that can deliver a 15% rate of return over the next few years.

### TFSA stock for 15% returns

The coronavirus-induced [bear market](#) gives rise to some interesting stock investing opportunities, including **Open Text** ([TSX:OTEX](#))([NASDAQ:OTEX](#)).

Open Text's earnings should be pretty resilient against today's poor macro environment.

### A tech leader with a growing target market

Open Text is an information management leader that serves enterprise clients, such as **BMW**, **Citigroup**, **Nestle**, the Government of Canada, and **General Motors**.

Moreover, the tech company just entered the market of small- and medium-sized businesses (SMBs) and professional consumers. Therefore, its target market is much bigger!

## **Recession-proof profitability**

Open Text has a long track record of profitability. Its earnings per share actually increased in the last two recessions. Perhaps it's because the tech firm makes strategic acquisitions to enhance its growth.

Its steadfast focus on profitability and cash flow allow it to have excess cash to make acquisitions whenever it wants. It completed the US\$1.45 billion acquisition of Carbonite in December 2019, and it just acquired XMedius in March.

Carbonite is a good fit. Its annual recurring revenue was 90%. And it offered cloud-based subscription data protection, backup, disaster recovery, and endpoint security to SMBs and prosumers.

As a leader in secure information exchange and unified communications, XMedius brings with it decades of experience and patented technologies to enhance the offerings of Open Text.

## **Recurring revenue and dividend safety**

Before acquiring Carbonite, Open Text had recurring revenues that make up about 75% of total revenues. Additionally, its recurring-revenue services had a high retention rate. The renewal rate for its customer service and cloud services and subscriptions were all above 90%.

These recurring revenues support strong cash flow generation. Open Text generates close to US\$800 million of free cash flow a year. However, it only pays out about 23% as dividends.

Therefore, Open Text has the capacity to continue dividend growth.

## **Valuation**

Open Text stock has retreated about 24% from its February high. The tech stock trades at a discounted valuation of about 13 times earnings. And it offers a yield of close to 2% at writing.

At under US\$36 per share, the stock trades at a 28% discount from the 12-month average price target. This also implies near-term upside potential of about 39%.

## **The Foolish bottom line**

If you have more contribution room than \$6,000 this year, you can propel your TFSA investment portfolio much closer to \$1,000,000 in this bear market.

Any unused contribution room or withdrawals from previous years will increase your contribution room.

If you've never contributed to a TFSA, you could have accumulated as much as \$69,500 of

contribution room for 2020.

Consider Open Text and other growth-oriented stocks, which have [a high probability of delivering high returns](#), for your TFSA.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Tech Stocks

## TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:OTEX (Open Text Corporation)

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kayng

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