



TFSA Investors: How to Turn \$50 Into \$10,000

Description

Tax-Free Savings Account (TFSA) investors are already taking advantage of an incredible opportunity. TFSAs allow you to permanently shield your capital from taxes — and the opportunity to do so should never be [forsaken](#).

But having a TFSA doesn't mean you're taking full advantage of it. Most investors *fail* to use the most effective trick for [retirement saving](#).

This isn't a complicated or high-tech solution. In fact, this is one of the simplest tricks out there, yet it's a proven money-maker. It can turn a \$50 contribution into \$10,000.

If you want to maximize your success as a TFSA investor, establish *automatic contributions* today.

What are automatic contributions?

Want to turn \$50 in \$10,000? There's a magic formula: consistency plus time. Automatic contributions solve the consistency factor. Waiting takes care of the time component.

What exactly are automatic contributions? They're exactly what they sound like: investment contributions that happen automatically.

Here's an example. Most TFSA investors know that your 2020 annual contribution limit is \$6,000. Rather than investing this entire sum all at once, you can split the contribution into monthly installments, which would mean investing \$500 each month.

But do you trust yourself to make this monthly payment without missing a single installment? When was the last time you contributed to your TFSA? Are you consistently putting money to work?

The answer for most TFSA investors is that they're *terrible* at regularly contributing capital — a big reason why so many savers don't hit their annual cap.

Consistent contributions can result in sizable portfolio gains, ensuring that you continue to buy as markets fall. They also make sure that more money is invested for longer — an important factor when it comes to generating compound interest.

Let's say you invest \$500 per month into your TFSA, earning an annual return of 10%. After 20 years, you'll have \$380,000. Not bad!

But what if you missed every other contribution because you simply forgot? You'd wind up with only \$190,000. Automatic contributions ensure that you don't miss out of those extra gains.

TFSA investors need this trick

With automatic contributions, you never have to think twice about investing. It happens without you needing to lift a finger.

Almost all TFSA investors have this option through their account settings. You simply add a banking or chequing account, decide on the frequency and dollar value of the transaction, and click submit. That's it! Now, you'll be putting regular money to work without breaking a sweat.

But what if you can only afford \$50 per month? It's still possible to amass a portfolio worth \$10,000 by implementing automatic contributions.

By investing \$50 each and every month, earning a 10% annual rate of return, you'll surpass the \$10,000 mark in less than 10 years. While that's still a long time to wait, it's an impressive sum considering your monthly contribution was just \$50.

It doesn't matter if you can invest \$50 per month or \$500, but be sure to establish automatic contributions *today*. They're a TFSA investor's best friend. As your budget allows, up your monthly contribution amount. Just don't miss a payment, no matter how small.

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