



How Investors Can Turn Their TFSA Contribution Into a Million

Description

The Tax-Free Savings Account (TFSA) is one of the most flexible investment options for Canadians. As the name implies, any withdrawals from a TFSA will be exempt from CRA taxes. The TFSA contribution limit for 2020 stands at \$6,000, and the maximum cumulative contribution limit for Canadians is \$69,500.

Despite the recent market rally, many **TSX** stocks still look attractive. The broad market index is still 15% lower than its record high earlier this year.

Growth stocks in your TFSA

The stock market has created huge wealth for long-term investors over the last many decades. TFSA investors need to look for high-growth stocks if they want to make a million with their 2020 contribution limit. Growth stocks such as **Boyd Group Income Fund** ([TSX:BYD.UN](#)) are good options.

With almost \$4 billion in market capitalization, Boyd is one of the largest non-franchised auto collision repair centre operators in North America. It [runs](#) 682 centres in the United States and Canada and is also the second-biggest retail auto glass operator in the United States. Boyd's recipe for success was to consolidate the fragmented collision repair industry in North America.

In the last five years, Boyd's revenue growth was close to 30% compounded annually. Its stellar revenue and earnings growth have driven its stock significantly higher in the last several years.

According to Boyd, total revenue in the North American collision space is estimated at around \$39.4 billion annually. Boyd generated approximately \$2.28 billion in revenues in 2019. Thus, no wonder it sees [significant growth potential](#) in this recession-proof industry in the next few years.

Boyd stock was trading at close to \$11 at the beginning of 2012 and, at writing, it is trading at \$194 levels. That's a massive 43% compounded annual growth rate over the last eight years.

Race to a million with Boyd stock

Just imagine, if a TFSA investor had invested \$69,500 in Boyd stock in 2012, they would have accumulated \$1.2 million today with no tax liability. Of course, they wouldn't have had that much contribution room in 2012, but you get the idea.

It would not be prudent to expect similar returns from Boyd in the coming decades. However, Boyd is quite capable of continuing to deliver superior returns and outperforming broader markets.

An investment of \$69,500 now would have to generate a little more than 30% compounded annually for the next 10 years to make \$1 million. A longer investment period would create a similar amount with lower returns.

That return assumption is indeed a bit too optimistic, but given Boyd's strong growth prospects and historical returns, it could be feasible. The amount generated over the years would be tax-free if invested in a TFSA.

Diversify!

Investors should note that diversifying into more such growth stocks would be important. Top tech stocks such as **Shopify** and **Constellation Software** have also delivered splendid returns in the last decade.

Notably, Boyd stock's current valuation might concern investors. It is trading close to 40 times its historical earnings. While many growth stocks exhibit premium valuation, Boyd looks relatively well placed against the stocks mentioned above. Investors should note that despite its recent surge, Boyd stock is still trading 20% lower than its all-time high in February. Its continued earnings growth could push the stock back to those levels.

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