



How to Get Your TFSA From \$69,500 to \$1,000,000

Description

A good goal for retirement is to get your portfolio to the \$1,000,000 mark. And if you can do that inside of a Tax-Free Savings Account (TFSA), you could be on easy street when you retire. The reason is you could live off dividend income on that amount of savings. Investing \$1,000,000 into an exchange-traded fund (ETF) that pays a dividend of even 4% annually would give you \$40,000 in tax-free dividend income inside of a TFSA.

While \$40,000 may not seem like a lot, it's also after-tax and your expenses will likely be lower in your retirement years as well. As well, that's just one potential income source for your retirement years.

That said, getting to \$1,000,000 is no easy accomplishment. And if you're trying to do it within a TFSA, you're also working with a cumulative limit of \$69,500 — if you've been eligible every year since its inception and you've never contributed to it (e.g., your limit hasn't been impacted by gains or losses). While it's not impossible to grow a balance of \$69,500 to \$1,000,000, it will take years for it to grow.

While you could try to be aggressive with your investing strategy to help accelerate that growth, your retirement is not something you want to be gambling with.

How to grow your savings the safe way

One of the most important decisions to make is which stock(s) you should invest in and that you'll feel comfortable holding over the long term. A stock like **Royal Bank of Canada** is a great example of an investment that is stable, will appreciate in value and that pays a growing dividend. But as long as any stock fits that criteria, it should make for a good option to invest in.

And while you'll want to diversify beyond just one stock, in this example I'll keep things simple and just assume the entire investment is in RBC. However, as it's based on assumptions of dividend growth and capital appreciation, it could theoretically apply to other similar stocks as well.

Let's assume that on average, shares of RBC will grow at a modest rate of 6% per year. Currently, the stock pays a dividend yield of 5% as well. The bank's also increased its dividends by an average of 7%

over the past five years as well, and let's assume that will continue indefinitely.

With all those assumptions in place, here's how a \$69,500 investment in RBC or a similar stock might look over the long term:

Year	Portfolio	Qtly Dividend	Annual Dividend	Cumulative Dividend
1	\$73,670.00	\$1.08	\$3,532.24	\$3,532.24
2	\$78,090.20	\$1.16	\$3,779.49	\$7,311.73
3	\$82,775.61	\$1.24	\$4,044.06	\$11,355.78
4	\$87,742.15	\$1.32	\$4,327.14	\$15,682.92
5	\$93,006.68	\$1.42	\$4,630.04	\$20,312.96
6	\$98,587.08	\$1.51	\$4,954.14	\$25,267.11
7	\$104,502.30	\$1.62	\$5,300.93	\$30,568.04
8	\$110,772.44	\$1.73	\$5,672.00	\$36,240.04
9	\$117,418.79	\$1.86	\$6,069.04	\$42,309.07
10	\$124,463.91	\$1.99	\$6,493.87	\$48,802.95
11	\$131,931.75	\$2.12	\$6,948.44	\$55,751.39
12	\$139,847.65	\$2.27	\$7,434.83	\$63,186.22
13	\$148,238.51	\$2.43	\$7,955.27	\$71,141.49
14	\$157,132.82	\$2.60	\$8,512.14	\$79,653.63
15	\$166,560.79	\$2.78	\$9,107.99	\$88,761.62
16	\$176,554.44	\$2.98	\$9,745.55	\$98,507.17
17	\$187,147.71	\$3.19	\$10,427.74	\$108,934.90
18	\$198,376.57	\$3.41	\$11,157.68	\$120,092.58
19	\$210,279.17	\$3.65	\$11,938.72	\$132,031.30
20	\$222,895.92	\$3.91	\$12,774.43	\$144,805.72
21	\$236,269.67	\$4.18	\$13,668.64	\$158,474.36
22	\$250,445.85	\$4.47	\$14,625.44	\$173,099.80
23	\$265,472.60	\$4.78	\$15,649.22	\$188,749.02
24	\$281,400.96	\$5.12	\$16,744.67	\$205,493.69
25	\$298,285.02	\$5.48	\$17,916.79	\$223,410.48
26	\$316,182.12	\$5.86	\$19,170.97	\$242,581.45
27	\$335,153.04	\$6.27	\$20,512.94	\$263,094.39
28	\$355,262.23	\$6.71	\$21,948.84	\$285,043.23
29	\$376,577.96	\$7.18	\$23,485.26	\$308,528.49
30	\$399,172.64	\$7.68	\$25,129.23	\$333,657.72
31	\$423,122.99	\$8.22	\$26,888.28	\$360,546.00
32	\$448,510.37	\$8.80	\$28,770.46	\$389,316.45
33	\$475,421.00	\$9.41	\$30,784.39	\$420,100.84
34	\$503,946.26	\$10.07	\$32,939.29	\$453,040.14

35\$534,183.03\$10.78\$35,245.04\$488,285.18

With the modest capital appreciation and the dividend growth, it would still take about 35 years to reach \$1,000,000. Remember, this is under a fairly [conservative](#) example — a bank stock.

Your returns will likely look very different depending on your investment strategy. If you hold high growth stocks, your returns could be much higher, although you’d likely have no [dividend income](#).

Investing is a long game, and while you could try to speed it up, you’ll be taking on additional risk if you do so.

The moral of the story here is that the earlier you start investing, the less risk you’ll have to take on and the safer your portfolio will be.

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