TFSA Investors Turn $69,500 Into $1 Million With $0 CRA Taxes

Description

It’s heartening to see that the government doesn’t leave you stranded (financially speaking) when you retire. You get your retirement benefits in the form of CPP and OAS. If we combine the maximum OAS payout of $613 and the average CPP payment of $672, the total comes out of $1,285. This is far from what a retiree needs for a comfortable life.

This is why Canadians are encouraged to start investing as soon as they can, in order to grow their wealth. So in their retirement years, they have alternate income sources to depend upon, in addition to government-provided benefits.

One of the best ways to cultivate alternate income resources is to invest using a Tax-Free Savings Account (TFSA). This not only ensures a sizeable nest egg, but it can also help you keep your tax bill lighter in your retirement years.

So how much can you really grow your TFSA? Many people believe that about $1 million is a cozy enough sum for retirement. You can break that $1 million into over $2,777 a month for about 30 years.

Let’s see how we can potentially turn a fully stocked TFSA into $1 million using two growth stocks.

A cargo prospect

While airlines are going down, **Cargojet** (TSX:CJT) has been going up and up for over a decade. It’s no wonder that the price-to-earnings ratio is through the roof (over 73 times). It’s expected to increase its EPS by 42% in 2021.

The return on equity isn’t too lucrative at 5.3%. But what *is* lucrative is its raw growth. The company returned 483% to its investors in the past five years.

The company's swift recovery from the crash and explosive growth during the pandemic are partly due to its cargo based business model. The same day and fast deliveries from online retail are quickly becoming the norm, and Cargojet is an important piece of that machinery in Canada.

As for the "million-dollar" aspect of this investment, even if we consider the 10-uear CAGR of the company, which is lower than its three- and five-year CAGR, the company is a millionaire maker by itself. With a 37.57% CAGR and half of your TFSA (nearly half, at $34,500), the company can earn you over $1 million in just 11 years.

But to be conservative, let's take half this growth rate for our assumption. At an 18.7% yearly growth rate, Cargojet can convert your $34,500 initial investment into $535,000 in 16 years.

A software company

Enghouse Systems (TSX:ENGH) is one of the oldest Dividend Aristocrats in the software sector, with over 12 years of consecutive payout increases under its belt. The company touts a decent return on equity of 18.3%, and with a price-to-earnings of 38.2 times, it's not as overvalued as Cargojet. It's estimated that the company will grow its EPS by 23.5% in the next year.

As an Aristocrat, it doesn't offer a very juicy yield at just under 1% at the time of writing this. But it has steadily grown its payouts over five years. It's also a modest growth stock with a five-year CAGR of 18.81%. At this growth rate, Enghouse can boost the rest of your TFSA funds ($35,000) to $551,000 in 16 years.

Foolish takeaway

Together, the two stocks have the potential to turn your $69,500 TFSA investments into $1,086,000 in 16 years, if they keep growing at a pace of over 18.7% a year. But if this growth rate is too risky for your taste, or you want to diversify your TFSA investments more extensively, there is another way.

With $69,500 and 30 years, you can grow your TFSA to $1 million if your portfolio is growing at just 9.3% a year.

CATEGORY

1. Dividend Stocks
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3. Tech Stocks

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)
2. TSX:ENGH (Enghouse Systems Ltd.)

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