TFSA Investors: Now’s the Time to Get Rich

Description

The stock market is a stressful place these days. Some great advice right now is to just put on blinders and wait for the pain to subside. There really isn’t any point to look at your Tax-Free Savings Account (TFSA) until the market corrects itself — that is, unless you’re looking to get rich.

Granted, if you don’t have the cash available and are happy with your portfolio as is, then keep those blinders on. After all, if you aren’t willing to change your portfolio then there really isn’t a reason to look at it.

Instead, it’s far better to basically forget it’s there until you absolutely need it. But again, if you have the cash available and are starting from scratch, now could be a great time for a rich-maker strategy. Here are the steps you’ll need to take.

Step 1: The TFSA

Before you get started you’re going to need one thing: the TFSA I mentioned earlier. The TFSA is the perfect way to get rich because, as it states, there are no taxes. Investors have $69,500 worth of contribution room this year to put toward their portfolios.

Over the last few years, that contribution room has grown by about $6,000 each year, which means you can add $6,000 more each year moving forward.

But right now offers the opportunity. With the stock market still trading well below fair value in a number of cases, there’s a chance to buy low and see stocks soar high.

During the last recession, it took about a year for stocks to reach normal numbers again. This market crash hasn’t been as bad, so it should take even less time for your TFSA to grow to those numbers, which leaves little time to buy into this buyers market.

Step 2: The stock

The next step you'll have to take is buying the right stock for your TFSA. If you're looking to buy a blue-chip company that's likely to be around for decades, then banks are your answer right now. While banking stocks might have some problems in the short term, in the long term, these stocks are going to keep right on track.

During the last economic downturn, Canadian banks performed as some of the best in the world. There isn't any reason these stocks shouldn't perform this way yet again.

The best option I'd recommend is **Royal Bank of Canada** (TSX:RY)(NYSE:RY). Royal Bank has already expanded into the United States and is now investing in emerging markets for even more significant growth. That American expansion will see its earnings come in higher before its peers, as the U.S. economy is likely to rebound faster than Canada's.

Royal Bank has also invested in the wealth and commercial management sectors, where returns are highly lucrative. These returns will continue to bring in high revenue for years to come. Both of these points mean the company's dividend yield is safe, which is currently at 5.06% as of writing. That dividend yield can be reinvested in your TFSA to help get you on that path to richness.

Bottom line

Given how Royal Bank fared during the last downturn, you could expect growth of 267% in the next 12 years. That would mean if you took $60,000 from your TFSA contribution room, you could have $159,783 in 12 years, and $37,480.32 in dividends for a total of $197,263.32.

Hold that for decades more and you'll see those riches reflected even higher.

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Date
2025/08/25
Date Created
2020/05/15
Author
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