Turn a $69,500 TFSA Into $2,000,000 by Doing This

Description

The COVID-19 pandemic has pushed several stocks lower since mid-February. Canadians would have seen a huge dent in their Tax-Free Savings Account (TFSA) portfolio. But a market correction offers investors an opportunity to create massive wealth in the long term. No one can exactly predict when the market bottoms and every major dip should be viewed as a buying prospect.

We know that the TFSA is one of the most flexible accounts for Canadians. The TFSA contribution limit for 2020 stands at $6,000, while the total contribution limit is $69,500. There are several strategies you can deploy to help grow your TFSA balance.

One such strategy is to invest in top-quality dividend-paying stocks that provide a steady stream of recurring income. Another is to invest in growth stocks that can increase wealth exponentially.

For example, if you would have invested in streaming giant **Netflix** (NASDAQ:NFLX) 10 years back, the returns would be an astonishing 3,200%. This means a $69,500 investment in the streaming giant would have ballooned to $2.22 million in 10 years. You can see how long-term investors benefit from the power of compounding.

Netflix is a coronavirus proof stock. In the March quarter, it added 16 million subscribers which were 100% over management estimates. As malls, restaurants, cinemas and theme parks are shut, entertainment options are few and far between. People are under lockdown and spending a lot of time watching online content.

Netflix management has confirmed that the recent subscriber growth rate is unsustainable and should normalize when economies reopen. But it remains one of the top growth stocks to bet on given the cord-cutting phenomenon and shift to consuming online content.

Netflix's focus on original content production and its huge market presence will attract investors in the upcoming decade.

NFLX data by YCharts

A Canadian tech stock for your TFSA

While Netflix has crushed market returns, there's one home-grown tech stalwart that has outperformed the **S&P 500** and the **TSX**.

Canada's **Kinaxis** (TSX:KXS) stock is trading at $163.44 and is up 60% year to date. Kinaxis stock went public back in June 2014 at a price of $13 per share and has returned close to 1,200% since then. As seen in the above chart, Kinaxis has outperformed Netflix as well since its IPO.

Kinaxis provides cloud-based SaaS (software-as-a-service) solutions to enterprises. The company has a portfolio of products that aim to improve the supply chain decision-making processes for companies. Its flagship product is RapidResponse that manages supply chain management processes.

The management states, "Our target market is large global enterprises that have significant unresolved supply chain challenges. We believe this market is growing as a result of a number of factors, including increased complexity and globalization of supply chains, outsourcing, a diversity of data sources and systems, and competitive pressures on our customers."

In Q1, Kinaxis reported revenue of $52.75 million, up 15.3% year-over-year. Comparatively, its gross margins were up 10%. Kinaxis claimed that its SaaS and subscription revenue growth was driven by the acquisition of new customers and the expansion of service agreements with existing ones.

Kinaxis' long-term prospects remain solid as supply chain optimization remains a priority for enterprises across industries.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:NFLX (Netflix, Inc.)
2. TSX:KXS (Kinaxis Inc.)

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