



TFSA Investors: How to Turn \$3,000 Into \$600,000

Description

TFSA investors have access to the most powerful investing vehicle in Canada. Tax-Free Savings Accounts (TFSAs) allow you to shield an unlimited amount of capital from taxes forever. Your TFSA can accrue millions of dollars, and you'll never pay a cent to the [CRA](#).

The only thing that's capped is your total contribution amount. But with a \$6,000 limit in 2020, that's still plenty to build a fortune. In fact, you can accumulate a portfolio worth \$600,000 or more by contributing *half* the annual maximum. All it takes is consistency, patience, and the right stock picks.

TFSA investors that want to [build](#) a fortune should follow these three rules.

Reap what you sow

As the old saying goes, it takes money to make money. This is particularly true when it comes to investing in the market. Your returns will always be a function of what you put in. The more money you contribute, the more valuable your potential gains become.

When it comes to building wealth, every TFSA investor should take advantage of automated deposits. These recurring transactions force you to continually invest in the stock market in both good *and* bad times.

Most TFSAs allow you to establish automated deposits through your contribution settings. For example, you can initiate monthly transfers of \$500. At the start of each month, that amount of capital will move *automatically* from your bank account to your TFSA. You don't have to lift a finger, taking human error and fallibility out of the equation.

As we'll see, even small recurring deposits can amass a fortune for TFSA investors.

Time is essential

Let's say you want to contribute half the annual contribution maximum in 2020. That would equal \$3,000. The best way to do this isn't through an annual lump sum, but through periodic investments. Automated contributions make this process a breeze.

To save \$3,000 every year, TFSA investors need to contribute \$250 per month, or roughly \$8 per day. Believe it or not, the power of compound interest can transform these small numbers into remarkable sums.

Investing \$250 per month at a 10% interest rate will net you \$3,100 after 12 months. That's not bad, but the real magic happens over a period of decades. The magic of compound interest can push your daily gains into the hundreds of dollars. After a decade, you'll have \$60,000. Two decades of investing results in \$200,000.

After three decades, your portfolio's value will reach \$600,000. Not bad for a TFSA investor saving just \$8 per day.

TFSA investor stock picks

Opening a TFSA is the smartest thing you can ever do for your financial well-being. Automatic contributions and a healthy dose of patience adds to this winning formula. The only missing piece is to identify stocks that can compound your capital over the long term.

As a TFSA investor, it pays to keep an eye on the long haul. Savers willing to think over a period of decades, not months, almost always amass the most wealth. When picking stocks to buy with your automated contributions, do the work necessary to identify long-term compounders. From there, you simply need to buy and hold with every additional deposit.

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