



How to Build a \$1 million TFSA in Only 20 years

Description

The TFSA is your ticket to a \$1 million tax-free.

A small number of investors have already accumulated \$1 million in their TFSA, but many aren't anywhere near that. The key to becoming a millionaire is to be patient and to persevere.

You can reach the \$1 million mark in only 20 years. But don't think you can achieve that by doing day trading.

In fact, an aggressive approach is likely to draw the attention of the [Canada Revenue Agency](#) as part of its efforts to identify professional stock traders using TFSAs to avoid paying taxes on gains made through a trading business.

The factors the CRA is looking for are TFSAs with high dollar amounts, a high volume of trading transactions, and an incorrect valuation of the assets in the account.

Buy and hold blue-chip stocks to become a TFSA millionaire

So, you cannot do day trading in your TFSA. But you can reach your goal to become a millionaire by buying stocks that will grow over the years. A key step in building a million-dollar TFSA is to contribute a high amount every year.

If you have \$69,500 in your TFSA (the total cumulative contribution room) and invest \$6,000 at the start of each of the next 20 years, you could end up close to \$1 million if you have an annualized return of 10%.

It's possible to achieve a return of 10% over 20 years by investing in the stock market. You don't have to take high risks to do so. Buying blue-chip stocks is actually the best way to get high returns over the long term.

A blue-chip company is a leader in its sector, its country, and its business segment. It will often have

products well known to all and implanted in the household. Finally, the company will often pay a dividend and has been paying a dividend steadily for many years.

Blue-chip stocks are considered more defensive with the ability to withstand stock market downturns. Even if their share prices do go down, they should recover due to their established business and strong presence.

Five great blue-chip stocks to buy

It's best to buy many blue-chip stocks to have a diversified portfolio. You could start by buying five stocks in five different sectors, and then add other stocks to your TFSA every year. Here are five ideas of stocks you could start with.

You could pick one Canadian bank, as they are all blue-chip stocks. Among them, **Royal Bank of Canada** is the largest one.

Having money investing in the consumer defensive sector is also a good idea, as this sector is resilient to recessions. As **Loblaws** is a grocery store chain, it's still doing well during market downturns as consumers don't stop buying food.

Utilities are also very defensive. **Fortis** is a good play in this sector.

While riskier, [investing in the tech sector](#) will help you boost your TFSA. **Open Text**, a provider of enterprise information management solutions, is a solid tech company.

Finally, you can get exposure to the real estate sector by buying a REIT like **Brookfield Property Partners**. What's nice about REITs is that they pay high dividends, which you can reinvest in more shares.

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