



Become a TFSA Millionaire With This Simple Trick

Description

If you want to become a millionaire, invest using a Tax-Free Saving Account (TFSA).

The clearest [advantage](#) is the tax savings. Once your money is in a TFSA, you'll never pay taxes again, not on dividends, capital gains, or withdrawals.

Because taxes can reduce your portfolio's value by 20% to 40%, using a TFSA can cut years, or even decades off the amount of time it takes to reach the \$1 million mark.

Just don't think that opening a TFSA is all you need to do. If you want to take advantage of its tax-saving superpowers, you'll need to contribute capital first. As the saying goes, it takes money to make [money](#).

There really *is* no substitute for contributing capital. But there's one trick that makes it *significantly* easier. Self-made millionaires have been using this trick for over a decade.

Don't trust yourself

Rule number one: you are not to be trusted. That's right. If you want to accumulate large amounts of capital, don't assume that you'll always do the right thing. In fact, assume you'll do the *wrong* thing.

Plenty of psychological research backs the claim that you shouldn't trust yourself. Your mind does some pretty bizarre things. Just consider the phenomenon of *default choice*. This is what a person will choose if they do [nothing](#) at all.

Consider TFSA contributions. If you do nothing, how much will you contribute this month? The answer, of course, is \$0. The default choice here is to *not* invest — that is, unless, you have automatic deposits activated.

Automatic deposits hack your psychology to change your default choice. Most investment accounts allow for this. You can, for example, have \$250 withdrawn from your bank account each month, with

the proceeds deposited into your investment account.

In this case, you're trusting a robot, not yourself. All you have to do is sit back and wait. Every month, you'll put another \$250 into your TFSA, even if you stay on the couch and eat popcorn. Your default choice becomes *saving*.

Be a TFSA millionaire

The results of automatic contributions add up fast. Let's look at an example.

If you save \$250 each month, you'll save \$3,000 per year. After 30 years, you'll contribute \$90,000. Not bad. But remember: your money will be growing in the interim as well, so it's not just your contributions that are saved.

Let's use the same example and assume you achieve a 10% annual rate of return. After 30 years, you'll have a nest egg worth \$540,000, even though your contributions totaled just \$90,000.

From here, it's all simple math. To reach the \$1,000,000 mark, you only need another seven years of saving. Or, you can double the monthly contribution. And note that all of this assumes you start with absolutely zero TFSA savings.

Of course, you'll need stocks that can generate these long-term returns, but sorting your contribution schedule is just as important. With automatic deposits, you'll always know that you're on track. Your main job becomes waiting.

If you want to be a TFSA millionaire, institute automatic contributions today. Then fill your portfolio with TFSA-ready stocks.

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