



How to Turn a \$30,000 TFSA Into \$500,000

Description

Are you looking for a way to steadily grow your Tax-Free Savings Account (TFSA) as you save up for retirement? Below, I'll show you how you can not just double or triple your investment, but grow it to more than 16 times its original value. There's no trickery or get-rich-quick schemes involved. In fact, it's a long-term strategy but one that can pay off for you over the long haul without putting your portfolio at significant risk.

For this example, I'll use **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) as an example and show you how a \$30,000 investment in the pipeline company can help grow your TFSA to more than \$500,000 by the time you retire.

The path to \$500,000

There are two ways that Enbridge can help grow your portfolio, and that's through [dividends](#) and capital gains — neither of which are taxable in a TFSA.

Its quarterly dividend payments of \$0.81 currently yield 8.1% per year. But the company has also raised its dividend payments over the years. Five years ago, it was paying a quarterly dividend of \$0.465. Enbridge has raised those payouts by 74% since then, averaging a compounded annual growth rate of 11.7% during that time. However, that's a bit of a high rate, especially amid COVID-19, so let's assume the dividend will grow by an average of just 7% every year.

And let's also assume that Enbridge's stock will rise by 7%. Given its low price, trading at just 15 times future earnings and 1.4 times book value, there's room for the stock to grow once the economy recovers from the coronavirus pandemic and demand for oil and gas strengthens, as people are traveling and using their vehicles more.

With those assumptions, here's how your portfolio could grow over the years:

Year	Portfolio	Quarterly Payment	Annual Dividends	Cumulative Dividend	PO
1	\$32,100.00	\$0.81	\$2,430.00	\$2,430.00	
2	\$34,347.00	\$0.87	\$2,600.10	\$5,030.10	
3	\$36,751.29	\$0.93	\$2,782.11	\$7,812.21	
4	\$39,323.88	\$0.99	\$2,976.85	\$10,789.06	
5	\$42,076.55	\$1.06	\$3,185.23	\$13,974.30	
6	\$45,021.91	\$1.14	\$3,408.20	\$17,382.50	
7	\$48,173.44	\$1.22	\$3,646.77	\$21,029.27	
8	\$51,545.59	\$1.30	\$3,902.05	\$24,931.32	
9	\$55,153.78	\$1.39	\$4,175.19	\$29,106.51	
10	\$59,014.54	\$1.49	\$4,467.46	\$33,573.97	
11	\$63,145.56	\$1.59	\$4,780.18	\$38,354.15	
12	\$67,565.75	\$1.70	\$5,114.79	\$43,468.94	
13	\$72,295.35	\$1.82	\$5,472.83	\$48,941.76	
14	\$77,356.02	\$1.95	\$5,855.92	\$54,797.69	
15	\$82,770.95	\$2.09	\$6,265.84	\$61,063.52	
16	\$88,564.91	\$2.23	\$6,704.45	\$67,767.97	
17	\$94,764.46	\$2.39	\$7,173.76	\$74,941.73	
18	\$101,397.97	\$2.56	\$7,675.92	\$82,617.65	
19	\$108,495.83	\$2.74	\$8,213.24	\$90,830.88	
20	\$116,090.53	\$2.93	\$8,788.16	\$99,619.05	
21	\$124,216.87	\$3.13	\$9,403.33	\$109,022.38	
22	\$132,912.05	\$3.35	\$10,061.57	\$119,083.95	
23	\$142,215.90	\$3.59	\$10,765.88	\$129,849.82	
24	\$152,171.01	\$3.84	\$11,519.49	\$141,369.31	
25	\$162,822.98	\$4.11	\$12,325.85	\$153,695.16	
26	\$174,220.59	\$4.40	\$13,188.66	\$166,883.82	
27	\$186,416.03	\$4.70	\$14,111.87	\$180,995.69	
28	\$199,465.15	\$5.03	\$15,099.70	\$196,095.39	
29	\$213,427.71	\$5.39	\$16,156.68	\$212,252.07	
30	\$228,367.65	\$5.76	\$17,287.64	\$229,539.71	

31	\$244,353.39	\$6.17	\$18,497.78	\$248,037.49
32	\$261,458.12	\$6.60	\$19,792.62	\$267,830.11

At that rate, it would take just over 31 years for your portfolio's combined value to rise to more than \$500,000. This assumes that dividend payments are not re-invested and that Enbridge continues paying and raising its payouts every year. That's by no means a guarantee, but it gives you an example of how investing in a dividend-growth stock can help you earn double-digit returns and accelerate your portfolio's growth.

You could also invest in a growth stock that has the potential to earn double-digit returns on its own, without paying dividends. There isn't just one approach, but it all comes back to one important factor: patience. By investing and holding on to your investment, you can benefit from compounding, especially when it comes to dividend stocks. If the dividend income rises, you're earning more on your initial investment than you were in year one. While Enbridge is paying you an annual dividend of \$2,430 on that \$30,000 investment in year one, by year 32, it's paying you nearly \$20,000 in annual dividends — about two-thirds of your original investment.

Bottom line

This example isn't to say that Enbridge is the best dividend stock to grow your portfolio with; it's simply one option and one example. There are other stocks you can use, potentially [safer ones](#) in other industries, that could work as well.

CATEGORY

1. Dividend Stocks
2. Investing

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