



Can You Really Turn a \$6,000 TFSA Into \$1 Million?

Description

If you have \$6,000 to invest in a TFSA, you might be wondering how far it can go. At a 10% annual return, it would grow to \$105,000 over 30 years. That's not bad. But many people hope to do better. With a combination of leverage and high-risk bets, you could theoretically get a TFSA over \$1,000,000. Starting with \$6,000, it would be a stretch. But it is within the realm of possibility.

The question is, how likely are you to actually pull it off?

Return needed to turn \$6,000 into \$1 million

To turn \$6,000 into \$1 million, you'd need to achieve an astonishing 16,566% return. To put that into perspective, a 10% annualized return over a 30-year period only takes you to 1,744%. 10% a year over 50 years takes you to 11,739%. So, within the span of a normal human life, you're unlikely to turn \$6,000 into a million.

The average Canadian lives to about 80, and most people don't invest before the age of 18. On top of that, you're more likely to be drawing on your savings in retirement than growing them. So, to invest for 50 years with no withdrawals is a stretch — and even that doesn't get you to \$1 million starting with \$6,000.

18% annualized over 30 years

The annual return needed to turn \$6,000 into a million over 30 years is 18.6%. That's certainly not impossible to pull off. Warren Buffett, for example, is averaging about 20% over 50 years. But remember, he's one of the most successful investors of all time. To actually pull it off requires beating the S&P 500 by nearly 2:1 consistently over a 30-year timeframe. That's unlikely to happen.

But it could conceivably be done in a shorter timeframe than 30 years — especially if you invest in high-growth stocks like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Over the last five years, SHOP has achieved a [CAGR return](#) of 109%. At that rate, it would only take seven years to turn \$6,000 into \$1 million.

If you picked a stock today that had a shot at delivering Shopify-like returns in the future, you might turn \$6,000 into a million in relatively short order. But the odds are against you. If SHOP itself were to pull that off, its market cap would be over \$24 trillion — about 12 times greater than **Apple's** market cap now. That's probably not happening. Perhaps you could pick a small-cap stock that has the potential to do what SHOP has in the past five years. But you'd have to sift through hundreds of small-cap tech stocks to find the one or two with that potential — again, not likely.

Takeaway: You need to add to your TFSA every year

The big takeaway here is that if you want to get to a [really large TFSA balance](#), you need to add to your account every year. At average market returns, \$6,000 is unlikely to grow into an amount you can retire on. As mentioned earlier, it will grow to \$105,000 over 30 years if the markets grow 10% annualized. After 30 years of inflation, that's not going to be a significant sum of money. Even today, it's not enough to buy a house or retire on.

But if you add to your TFSA every year, your chances of reaching a \$1 million balance grow significantly. In 2020, you can contribute up to \$69,500 to a TFSA. If you achieved a 10% annualized return on *that* balance, you'd get to \$1.2 million in 30 years. That outcome is actually pretty achievable. And all you need to do to get started is add diligently to your TFSA for a few years!

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:SHOP (Shopify Inc.)

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