



3 Steps to Becoming a TFSA Millionaire

Description

TFSA's are perfect if you want to become a millionaire. Unfortunately, millions of Canadian fail to use these accounts correctly. They leave a ton of money on the table, because they don't adopt a few basic tricks.

If you want to become a TFSA millionaire, here is your playbook.

Get your house in order

Most of you will want to skip this section. Don't! Too many investors focus solely on investing, even though most of your monetary decisions are made elsewhere, namely in your household budget.

If you want to become a TFSA millionaire, your first step is to get rid of high-interest debt. If you owe money on loans or credit cards, pay those off as quickly as you can. If you have an 10% interest rate on some debt, for example, paying that off is equivalent to a guaranteed 10% return. A dollar saved is a dollar earned.

The next step is to make sure you have enough extra income to save consistently. As you'll see in the next section, consistency is key. Take a look at your income and spending to understand your excess income. If you don't have excess income, remedy the situation immediately. It takes money to make money, and the more you save, the faster your capital will grow.

Go automatic

This is perhaps the greatest TFSA trick in the book, yet few people implement it. It's called automatic saving.

The best savers invest on a regular basis. This makes sure you dollar-cost average, buying when markets rise but also when markets fall. Too many people go months between contributions. If you want to maximize the value of your TFSA, you need to put money away every month.

The best way to do this is to implement automatic contributions.

For example, you can set automatic monthly transfers from your bank account to your investment account. If you opt for \$500 every month, you'll reach the \$6,000 annual limit without lifting a finger.

If you can't afford that sum, don't worry. The important thing is to establish automatic deposits, even if the initial figure is low. From there, you can work to increase the dollar value.

Buy TFSA stocks

Once you have money flowing into your account on a regular basis, the next step is to determine where that money will be invested.

A popular choice for TFSA holders is dividend stocks, as the income produced is tax free. **Bank of Montreal** shares are a good example. BMO is one of the biggest banks in Canada. For years, the stock has offered a steady dividend. Right now, the yield is around 5%.

The only problem is that dividend stocks typically don't grow as fast as other businesses. Compare BMO to **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)), which has risen 35 times in value in just five years.

How do you find stocks like Shopify? Look for *platform* businesses.

Shopify didn't build all of its tech. Instead, it developed the basic infrastructure, allowing outside developers to build on top. This way, it can grow rapidly by leveraging the talent of developers worldwide, even those that don't formally work for the company.

Shopify's best days of growth are likely behind it, but stocks like this are the quickest way to TFSA riches.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

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