Do You Have $10,000 to Invest in Your TFSA? Here’s How to Turn it Into $100,000

Description

The first step in turning $10,000 into $100,000 is deciding on which account you’d like to keep your investments in. Most Canadians typically choose a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) for any type of long-term investment.

Both accounts have their own set of pros and cons. RRSPs are designed primarily for retirement savings, so early withdrawals are taxed. TFSAs allow investors to make withdrawals tax-free. The catch is that the yearly contribution limit is far lower than that of the RRSP.

The TFSA was introduced in 2008, with 2009 being the first calendar year Canadians were eligible to contribute to the account. In 2009, the annual contribution limit was $5,000. Since 2009, the annual contribution limit has fluctuated over the years.

For Canadians aged 18 or older in 2009, the total contribution limit today is $69,500. Canadians are eligible to carry over any over unused contributions from year to year.

You’ve opened a TFSA. Now what?

Once you’ve opened your TFSA and added $10,000 to the account, now comes the fun part. You get to decide on the types of investments you’d like to add to your portfolio. If you’re looking to turn $10,000 into $100,000, you’ll want stocks in that account.

I’ve covered two top Canadian stocks that can help turn $10,000 into $100,000. The two companies happen to be the two largest publicly traded companies in Canada and still have plenty more market-beating years of growth ahead.

Investing in growth stocks

For investors with a higher tolerance towards risk, growth stocks offer the potential to turn $10,000 into $100,000 much faster than a blue-chip value stock would. The trade-off is that growth stocks are typically much more volatile, and there is also the chance that the company won’t live up to its growth potential.

Investors that were savvy enough to pick up shares when **Shopify** (TSX:SHOP)(NYSE:SHOP) first became a public company would be sitting on gains of close to 4,000% today. That being said, investors cannot bank on a new Shopify-type company joining the public market every other year.

A $10,000 investment made in Shopify five years ago would be worth more than $300,000 today. While that math might not help investors that are only starting out today, Canada's largest company is still growing at an incredible rate.

Shopify stock is up close to 250% over the past 12 months and 1,000% over the past three years. Future growth is never guaranteed, but there are a lot of reasons to believe that Shopify will continue to absolutely crush the Canadian market's returns for the foreseeable future.

In blue-chip stocks we trust

Growth stocks like Shopify can help drive market-beating growth for your portfolio, but that doesn't come with its own set of trade-offs. To help reduce some of the risks, you'd be wise to add reliable blue-chip stock to your portfolio.

The major Canadian banks might not deliver market-beating growth on a yearly basis, but over the long term, they can deliver enough growth to turn a $10,000 investment into $100,000. It may just take a bit longer in comparison to an investment in Shopify. The good news is that you'll likely have to deal with much less volatility and earn a dividend with a yield above 4% at the same time.

Bank stocks in general have fared much worse than tech stocks this year. Canada's largest bank, **Royal Bank of Canada** (TSX:RY)(NYSE:RY), is down 7% on the year, trailing the Canadian market's return of -5%.

The lowered interest rates are a major reason why bank stocks have had a weak year. And with not much reason to believe they will be back to pre-COVID-19 levels any time soon, the recovery of bank stocks might be longer than originally anticipated.

For long-term investors, I view the drop in bank stocks as an excellent buying opportunity. Royal Bank of Canada will never deliver the same type of annual growth that Shopify has delivered over the past five years, but if you've got time on your side, this bank stock can slowly and steadily turn $10,000 into $100,000.

Bottom line for TFSA investing

Turning $10,000 into $100,000 will likely take years, but once you've found a winning stock or two, time is the only remaining ingredient you'll need. Whether you've opted for a growth stock or a blue-chip company, or both, once you've put your $10,000 to work, now all you need to do is sit back and relax.

Now the focus falls on not making any rash decisions during market crashes. Just remember that you invested that money into the company for a reason, so if the investment thesis still holds up, there's no reason to sell.

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2. Investing
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4. SHOP
5. shop stock
6. Shopify
7. Shopify Stock
8. tech stock
9. TFSA
10. TFSA investing

TICKERS GLOBAL

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SHOP (Shopify Inc.)

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