



TFSA Investors: Here's How to Turn \$10,000 Into \$75,000!

Description

The Tax-Free Savings Account (TFSA) might be a Canadian investor's best way to build wealth. The TFSA was developed by the Canada Revenue Agency as way for Canadians to save their after-tax income and build long-term retirement wealth. Unfortunately, many Canadians only use their TFSA as a mere savings account. Sadly, that somewhat defeats the purpose of the account.

The TFSA is a wealth-compounding mechanism

A TFSA enables investors to invest upwards of \$69,500 in the account (as long as you were age 18 in or prior to 2009). Inside the account, none of your dividends, interest, or capital gains are taxed. It is the best possible way to maximize your returns and truly compound your wealth into retirement. Simply find great companies, buy them in your TFSA, and hold them for a very long time.

Do you have \$10,000 that you were looking to invest in your TFSA? Here are two of my favourite TFSA stocks to split it between. If history serves as a pattern, you could turn that \$10,000 into \$75,000 in as few as 10 years.

This dividend-growing company is a perfect TFSA stock

The first TFSA stock Canadian investors should consider is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). Brookfield owns and manages assets like gas pipelines, power transmission lines, cell towers, and toll roads. Despite a slightly bland business, investors might be surprised that BIP earned investors a 821% total return (if dividends were reinvested) over the last decade.

In the 2009 financial crisis, BIP acquired a number of distressed-priced assets. Consequently, those purchases helped fuel a decade of spectacular growth. I think this TFSA stock could be suited for a similar opportunity out of the COVID-19 pandemic crisis. It has a number of catalysts that should benefit its operations and stock over time.

Firstly, historic low interest rates mean it can finance current and new assets at very attractive rates.

Accordingly, its yield spreads and return on capital will likely be elevated.

Secondly, BIP has the corporate infrastructure, expertise, and geographic exposure to deploy capital wherever assets are attractively valued. It just acquired a cell tower portfolio in India that has ample opportunities for expansion and organic growth.

Lastly, BIP has a strong balance sheet with around \$5 billion of capital to deploy over the next few years. All in all, BIP is primed for acquisition and organic growth for many years ahead. Today, it pays a great 3.7% [dividend](#) that should keep growing. To me, that makes it a perfect TFSA stock.

This stock is a master of compounding returns

Brookfield Asset Management (TSX:BAM.A)([NYSE:BAM](#)) is actually BIP's parent company and manager. It manages institutional capital by investing in [alternative assets](#) like real estate, infrastructure, renewable power, distressed debt, and private equity. It is really an ideal TFSA stock to buy and forget about. If you'd bought this stock at the start of 2010, you'd have enjoyed a 472% return to date (not including all the stock spin-outs).

This year, BAM has had its best fundraising period in history. This supports BAM's theory that institutional capital will increasingly turn to alternative investments to help meet their income and returns criteria. Since BAM is one of the largest and most experienced alternative managers, it is incredibly well-suited to keep growing in this environment.

In fact, management recently laid out a plan to realistically double its fee-bearing capital and fee-related earnings over the next five years. Management has previously mentioned that this decade could be just as good or better than the last. Considering the stock is already trading at a cheap 20-30% discount to plan value, I believe now is the perfect time to buy it for your TFSA!

CATEGORY

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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BN (Brookfield Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BN (Brookfield)

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