Canada Revenue Agency: Turn $10,000 Into Half a Million With a TFSA

Description

The federal government launched the Tax-Free Savings Account (TFSA) in January 2009. Over the past decade, this registered account has made fortunes for many Canadians. Even better, the Canada Revenue Agency can't touch those wonderful gains. Today, I want to explore how a few thousand dollars in a TFSA can help you rake in literally hundreds of thousands of tax-free cash.

My favourite registered account

Back in 2009, Canadians were granted the opportunity to invest in an account that allowed them to duck capital gains. However, unlike the RRSP, the TFSA boasts the flexibility of your standard cash account. You will not be penalized by the Canada Revenue Agency for withdrawing from a TFSA at any point. At the same time, there are no tax credits granted to those who contribute to the decade-old account.

When it first launched, the TFSA started with an annual contribution of $5,000. Over the years, that has grown to a cumulative total of $69,500. That means the dream of becoming a TFSA millionaire is much more attainable than it was in the early 2010s. Of course, it is still a challenge.

A $10,000 investment in the right place worked wonders in the 2010s

The Canadian stock market had just started its comeback in the month of April 2020. At the time, I'd explored how a $20,000 investment could transform into a cool million over the course of a decade. By the same token, a $10,000 investment in the right stock can earn you a pretty penny.

For example, a $5,000 investment in **Kirkland Lake Gold** on January 1, 2010 would have been worth $336,500 on December 31, 2019. That works out to $331,500 in tax-free capital growth. Investorscould have also thrown $5,000 into **Air Canada** stock at the beginning of the 2010s. On December 31,2019, that investment would be worth $184,000.

A $10,000 investment in these two stocks would have then transformed into $520,500 by the end of the decade. Best of all, the Canada Revenue Agency can't touch the over half a million in gains in your TFSA.

Some stocks to consider for your TFSA right now

Fortunately for TFSA investors, there are some fantastic growth stocks available on the **TSX** right now. **WELL Health Technologies** (TSX:WELL) has been an electric performer during the COVID-19 pandemic. The crisis has accelerated the growth of telehealth, which allows individuals to access health professionals via digital platforms.

WELL Health posted record revenues on the back of the growth of telehealth amid a tumultuous 2020. Its shares have climbed 349% so far this year — a great start to what should be a very good decade.

Shopify (TSX:SHOP)(NYSE:SHOP) needs no introduction for Canadian investors. This Ottawa-based technology company has established itself as a giant in the e-commerce space. And, like telehealth, e-commerce has received a huge boost due to the COVID-19 pandemic.

More consumers are flocking to digital channels as brick-and-mortar stores have been forced to close their doors across the developed world in 2020. Shopify stock has increased 147% in 2020.

For reference, a $5,000 investment in WELL Health at the beginning of 2020 in a TFSA would be worth $34,900 at the time of this writing. The same investment in Shopify would be worth $7,340.

Our hypothetical $10,000 investment to kick off 2020 would have netted us over $32,000 in capital gains. And, once again, none of that can be touched by the Canada Revenue Agency.

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aocallaghan