NEW TFSA Limit: Turn $6,000 Into $115,500

Description

The new contribution limit for your Tax-Free Savings Account (TFSA) is almost here. As of Jan. 1, 2021, Canadians have another $6,000 to work with in their TFSA. And the timing couldn't be better.

You may have already heard that we are likely to see another market crash, if not more, in 2021. This comes from a world taking on enormous debt both before and after the pandemic. With lockdowns happening more and more across the world, this also means businesses will see another slump in revenue. So, while another market crash may not be as bad as the one in March 2020, it will still be bad. Especially if it happens again and again.

So, what you can do now is prepare. The best way is by maxing out on your TFSA. By making investments during a dip, you can see enormous returns, even from conservative stocks. All you need is the right one.

CIBC

There are a few great reasons to consider **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). First off, the company is part of the Big Six banks in Canada. These banks fared as some of the best in the world during the last recession in 2008. When that happened, the banks managed to reach pre-crash levels within a year, including CIBC. So, while no one could have predicted a pandemic, CIBC prepared for a market downturn and should be able to work back towards the black sooner than many other companies.

Then there's the company's growth portfolio. CIBC is a very Canadian bank, making it at risk during a market downturn due to its Canadian investments in oil and gas and the housing market. But CIBC is changing, making investments in the U.S. and beyond that should see a surge in revenue in the future. Investors will have to be patient, but it should be worth it.

Finally, there's the dividend. CIBC offers the highest dividend of the Big Six banks, which is currently at $5.84 per share, or a 5.22% dividend yield, as of writing. Even during the downturn the company raised the dividend for a compound annual growth rate (CAGR) of 6.24%. Meanwhile, shares are up 6.8% in the last year, 55% in the last five years, and 128% in the last decade. That would be a CAGR of 11% based on the last five years.

See that growth

If you were to buy this stock during a market downturn, let's compare by looking back at the market crash on 2009. From its lowest point, CIBC has grown 429% as of writing. If you had invested $6,000 at that time, returns alone would bring your portfolio to $18,537 to date.

Now, let's add a few things into the mix here. Let's say you were to see a 20% dip in CIBC during a market crash. You invested your $6,000, and then reinvested your dividends for the next few decades. In 20 years, you could have a portfolio worth $115,520.90 from that $6,000 investment alone if you reinvested dividends!

Bottom line

If you're a long-term investor, you should see a market crash as an opportunity rather than a curse. The market goes up and down, but overall it trends upwards. So, if you're investing in a strong company like CIBC you really don't have much to worry about. Investing just that $6,000 of TFSA contribution room means you could have hundreds of thousands in cash by the time you retire.

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