TFSA: Reach $1 Million in 10 Years

Description

A million-dollar Tax-Free Savings Account (TFSA) is rare. In fact, the average Canadian has only $42,300 in their TFSAs altogether. Many contribute far less than they should and leave their savings in low-interest bank accounts that lose value. Meanwhile, the path to a million-dollar TFSA gets shorter every year for savvy investors.

If you'd like to set this ambitious goal too, here's how you can reach that critical figure in 10 years.

Maximize TFSA room

The first and most critical step is to maximize the allowance offered by the government under the TFSA program. If you're eligible for all the years the TFSA has existed, this year, your total room should be $75,500. That's 7.5% of the way to a million already by just setting money aside.

Canadians can also expect the TFSA contribution room to be more or less the same for the years ahead. Assuming the annual contribution is $6,000 forever, you could add another $60,000 to the TFSA by 2030. That's *potentially* a total of $135,500.

That's a respectable amount, but it isn't $1 million. To get there, you need to boost your investment returns by deploying the cash in high-growth stocks — specifically, a stock that's growing at 26% or more every year.

Is that compounded annual growth rate (CAGR) even possible? Here's a look.

High-growth stocks

Over the past 10 years, some of the most well-known stocks have delivered returns far higher than 26% CAGR. **Shopify** and **Dollarama** are the best examples. Shopify's stock has compounded at a rate of 88.2% over the past six years! Dollarama, meanwhile, has delivered a CAGR of 25.9% over the past 10 years.

Several other stocks have had similar performance. Many of these have been covered by the Motley Fool team frequently. Nevertheless, picking the next high-growth stock is tricky. Here's my top pick for a growth stock that could exceed 26% CAGR over the next 10 years and turn your TFSA into a million-dollar pool.

Top TFSA pick

My top pick for TFSA growth star is **WELL Health Technologies** (TSX:WELL). To deliver a growth rate of 26% or more over the next 10 years, WELL Health needs to expand 10-fold.

At the moment, the company is worth $1.22 billion. Meanwhile, the annual revenue run rate is $94 million. That's up 92% compared to *the previous quarter alone.* In other words, WELL Health is growing remarkably rapidly.

There's plenty of room to expand further. WELL Health has recently entered the U.S. market through an acquisition. That's increased its addressable market by 17-fold. As more people adopt the company's virtual clinic and online pharmacy services, this growth should continue at a similar clip.

That means WELL stock could exceed the 26% benchmark we need to turn our TFSA into a million-dollar pot.

Bottom line

To accumulate $1 million in your TFSA, you need a high-growth stock — specifically, a stock that compounds at an annual rate of 26% or more. My top pick is WELL Health Technologies.

CATEGORY

1. Investing
2. Tech Stocks

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