TFSA Investors: How to Turn $2,000 Into $100,000

Description

It's not easy to turn $2,000 into $8,000, but TFSA holders can do it faster than nearly any other investor. That's because they avoid paying taxes on all dividends and capital gains.

Of course, you need more than a tax-advantaged account to get ahead. You must also identify stocks capable of doubling, tripling, or even quadrupling your portfolio's value.

Don't make this mistake

Many TFSA investors make a critical mistake: they value dividends over growth. Don't get me wrong; dividend investing is a great strategy, but when you have the opportunity to shield an unlimited amount of gains from taxes, you shouldn't give that up for nothing.

Consider a dividend stock like Enbridge. Enbridge owns a ton of pipeline infrastructure. Because pipeline supply is limited, the company has extreme pricing power of its customers. This is a fantastic business, one I've described as "monopolistic."

Over the past five years, Enbridge stock is roughly flat, but the annual 8% dividend delivered regular cash to patient shareholders. With a TFSA, all of that income was tax free.

Earning 8% interest on your money with zero taxes sounds appealing, but when you compare this return to other business models, the pitfalls become clear.

Just look at software stocks like **Shopify** (TSX:SHOP)(NYSE:SHOP). Over the past five years, shares have soared by nearly 5,000%! A $2,000 investment would have become $100,000! Investing with a TFSA would have allowed you to keep all of the profit.

If you want to grow your money as fast as possible, stick with the stocks below.

These stocks are perfect for TFSAs

Do you want 5,000% gains? You must understand what makes stocks like Shopify so special.

Shopify is, first and foremost, a software business. These stocks can grow faster than anyone ever thought possible. Just compare this model to a traditional business that sells physical goods.

“Software has several advantages versus hardware,” I recently explained. “The biggest is the cost of deployment. When a hardware manufacturer wants to ship another phone, for example, it needs to physically create another phone. That costs money. Software companies simply need to send a download link. It’s instantaneous but, more importantly, free.”

With a TFSA, you want to target stocks that can grow as fast as possible. That makes the most of your tax advantages. With dividend stocks, you might save a few thousand dollars per year. With growth stocks like Shopify, a TFSA could save you *millions*.

How to invest now

Of course, you want to identify high-growth stocks *before* they become market all-stars. I still think Shopify is a great long-term investment, but there’s no doubt that its biggest days of growth are behind it.

To make the most of your TFSA, your job is to find the *next* Shopify. How do you do this?

First, narrow your investing universe down to software stocks. Then make sure the business is targeting a truly massive opportunity. E-commerce is a perfect example. Finally, take multiple bets. Software is often a winner-takes-all business, and remaining diversified ensures you maximize your opportunity to achieve 5,000% gains.

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rvanzo