



## How to Turn Your \$75,500 TFSA Into \$1 Million

### Description

Canadians have big financial goals, preferably a \$1 million balance in a Tax-Free Savings Account (TFSA). The target is ambitious but not necessarily out of reach. More importantly, having a goal keeps one motivated to save diligently and keep spending in check.

The [TFSA accumulated contribution room](#) since 2009 has now reached \$75,500. Users have an additional \$6,000 contribution room, the Canada Revenue Agency's (CRA) new limit for 2021. A TFSA is the favoured investment vehicle because of the multitude of benefits. You can achieve or at least come close to your goal and not worry about taxes.

### TFSA benefits

If you haven't opened a TFSA, now is an excellent time to open one. For existing account holders, you have an opportunity to grow your balances the tax-free way. Eligible investments or assets in a TFSA grow tax-free. There's no cap on withdrawals, and the CRA won't tax any withdrawals.

You can withdraw any amount at any time, and it won't impact government benefits like the Old Age Security (OAS) and Guaranteed Income Supplement (GIS). Most retirees also use their TFSAs as a tool to avoid the brutal 15% OAS clawback.

### Proper utilization

The TFSA could change your financial future with [proper utilization](#) and maximize contributions or tax-free space every year. You also don't lose anything if you withdraw funds as the amount adds back to the new contribution room on January 1 of the following year.

A word of caution is that cash can't be your primary investment in a TFSA. It's not a regular savings account with a negligible rate of return. Instead, hold income-producing assets like bonds, ETFs, GICs, mutual funds, and dividend stocks. All interest, gains, or dividends within the account are non-taxable.

An account that helps users save for retirement and grow balances faster will not lose its relevance. Pensions like the OAS and Canada Pension Plan (CPP) are partial replacements of the average pre-retirement. Your TFSA is an essential third pillar when you retire. Thus, play it smart and begin your journey to \$1 million.

## Ultimate TFSA stock

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is the top-of-mind choice of many TFSA investors. The energy stock is ideal in a TFSA because of its dividend growth streak of 26 years and high yield. If you purchase today (\$33.60 per share), the dividend is a hefty 7.76% dividend.

Assuming your available contribution room is the maximum of \$75,500, the potential tax-free earning is \$5,858.80. Your money will also double in less than nine-and-a-half years. If you're maximizing your \$6,000 limit, you'll have a non-taxable income of \$465.60 in 2021. In a 25-year time frame, your TFSA balance should compound to \$489,087.45 or nearly 50% of your \$1 million goal.

Enbridge is one of the largest, if not *the* largest, energy infrastructure companies in North America. Its market capitalization currently stands at \$67.8 billion. The company held firm amid the pandemic owing to its wide economic moat. Further growth is coming, given the several billion dollars of expansion projects in the development pipeline and offshore renewable energy assets.

## Wealth-building power

The secret to reaching your financial goal is to have enough savings every year-end to maximize next year's TFSA contribution limit. The TFSA's wealth-building power will work if you have the right investments in your account.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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