Millennials: Turn Your $6,000 TFSA Contribution Into $25,000 in 5 Years

Description

If you're a millennial, chances are you're fairly tight for funds. Especially right now. But if millennials are looking to make some real wealth in the next few years, you don't have to look any further than two things: a Tax-Free Savings Account (TFSA) and real estate investment trusts (REITs).

REITs that have a diverse range of properties can be less volatile than peers and even stocks in general. Even if a housing or market crash happens in the next few years, these REITs can be a great defensive play.

One such REIT that investors should look into is **NorthWest Healthcare REIT** (TSX:NWH.UN). While this REIT might seen like a healthcare play on the surface, it has the diverse portfolio millennials need to create wealth. So, here's why you should consider it for your $6,000 contribution room for 2021.

International investment

If there's one thing investors should be looking for, pretty much no matter the stock, it's international exposure. NorthWest has 189 income-producing, high-quality international healthcare properties located in Canada, Brazil, Europe, Australia and New Zealand. This exposure to countries outside Canada reduces risk and gives millennials access to a range of developed markets.

The diversity continues, as NorthWest doesn't just focus on one type of healthcare property. It operates medical offices, clinics, and hospitals. These types of buildings also come with the promise of long-term leases and stable occupancies. This could be seen in the company's recent earnings reports.

Its third-quarter results for 2020 were robust, with the REIT announcing that net operating income increased 3.4%, occupancy remained stable at 97.2%, and an average lease expiry of 14.5 years! These financial performances remained strong throughout the pandemic and even saw an increase in revenue. This should increase over and over again now that the company has also signed on to a $3 billion European joint venture. This is crucial to note, as it underpins just how profitable this company could continue to be.

Enter dividends

The main reason millennials are going to look at an REIT is because of dividends. NorthWest offers a 6.17% dividend yield as of writing. Given the financials I just outlined, it's clear this dividend is quite sustainable for years to come. It's this dividend that makes it a strong tool for those willing to reinvest and see it compound to create substantial wealth.

To highlight this, let's look at if you had invested $6,000 in NorthWest just five years ago. Since then, shares have grown 125% as of writing. That would have turned your $6,000 investment into $28,322.28 with dividends reinvested! That means you would have had access to a compound annual growth rate (CAGR) of 25%, with a dividend CAGR of 29% during that time!

Foolish takeaway

There is no guarantee that millennials will absolutely see the same numbers produced by NorthWest over the next five years. However, the company's finances alone and stable earnings is definitely reason enough for investors to seek out this stock.

But let's say that the same growth happens for another five years. If you'd invested that $6,000 at today's prices and reinvested dividends, in five years you could have a portfolio worth $25,251.40 without adding another penny! Given the stability and growth currently underway, there's really no thought that this couldn't happen.

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Author
alegatewolfe