TFSA Pension: How to Retire Wealthy

Description

Canadian investors have known for a decade now just how useful the Tax-Free Savings Account (TFSA) can be for their retirement savings. You have to pay taxes on your Registered Retirement Savings Plan (RRSP), Canadian Pension Plan (CPP) and even Old Age Security (OAS). However, the TFSA allows you to keep all interest, dividends and capital gains without a single tax paid! So clearly, if you want to retire wealthy you'll want to have a TFSA.

The best case scenario to retire wealthy is to max out on your TFSA and RRSP contributions each and every year. Even if you're young this is an excellent habit to get into, as you may even be able to retire early! And if you and your partner pool your resources, you'll have a whopping $151,000 to work with through your TFSAs!

So let's look at two stocks you and your partner can invest in to help you retire wealthy.

CP Rail

Canadian Pacific Railway Ltd. (TSX:CP)(NYSE:CP) has already done the heavy lifting of reinvestment in its infrastructure. The company has been heading up and up since the restructure back in 2012. This gives it an important competitive advantage in the duopoly, one that should remain for decades.

The company now uses the cash it brings in to invest in more cars, and even its trucking business. The rest is dished out to shareholders in dividends. The company currently offers a dividend yield of 0.87%, which has grown at a compound annual growth rate (CAGR) of 20.52% during the last five years!

Meanwhile shares have grown by 28% in the last year, and 197% in the last five years as of writing for a CAGR of 39.4%! An investment of $75,000 five years ago would be worth $421,751.45 today with dividends reinvested!

Brookfield Renewable

Brookfield Renewable Energy Partners LP (TSX:BEP.UN)(NYSE:BEP) is another company ahead of the pack. It has a huge backer that can help afford the thousands of renewable energy properties it has around the world. The company is in every sector of renewable energy, and with the new investment coming from the United States President Joe Biden's administration, the company will have even more of a competitive edge.

Clearly the company uses its cash to make acquisitions, which it does non-stop. But on top of that, it again pays out as dividends. The current yield is 2.51%, which has grown at a CAGR of 5.85% over the last five years.

Shares have grown like crazy lately, in the last year jumping 77% and in the last five years by 314% for a CAGR of 62.8%! An investment of $75,000 five years ago would be worth $977,894.18 today with dividends reinvested!

Bottom line

If you and your partner were able to put that solid investment aside just five years ago, today you would have $1.4 million! That's all from just using your TFSA to your advantage.

Now of course there is no guarantee that the same thing will happen in another five years. But the strategy is finding strong companies that have a solid future and dole out stable dividends. Both Brookfield and CP Rail check those boxes. You could certainly yield similar results a few years from now and retire wealthy.

CATEGORY

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2. NYSE:CP (Canadian Pacific Railway)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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