



How to Turn a \$100,000 TFSA Into \$1,000,000

Description

If you've saved regularly and contributed the maximum amount allowable to your Tax-Free Savings Account (TFSA) every year since its inception in 2009, you would have contributed a total of \$75,500!

Especially early on in your wealth creation journey, saving regularly is absolutely essential! Investing for satisfactory returns on your investment will help power the growth of your portfolio, especially later on. As time elapses, the compounding effect will be more prominent.

If you invested for the long-term average stock market returns of 7-10% per year, you would have accumulated wonderful wealth in the \$100,000 range.

Don't let it stop there. Continued contributions used for stock investing should allow you to achieve a \$1,000,000 TFSA sooner than in other asset classes.

The TFSA contribution limit will increase over time. However, let's be conservative and assume you will only contribute \$6,000 a year going forward.

If you've accumulated a TFSA in the \$100,000 range, you've got some years of stock investing experience down your belt. By choosing to invest in wonderful businesses when they're fairly valued or even attractively priced, you could aim for annualized returns of 12-20%.

On a 12% rate of return, it would take between 17 to 18 years for your TFSA to reach \$1,000,000. On a 20% return rate, it would take 11 to 12 years.

This growth stock can help lift your \$100,000 TFSA to \$1,000,000

For example, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) has proven itself to be a wonderful business by generating annualized returns of about 15% per year on the **TSX** over the past 10 years or so.

The stock has recovered lost grounds from the pandemic market crash last year and returned to levels that are close to the pre-pandemic high, while the business has continued to do what it does best.

However, the growth stock remains undervalued. Over the next five years, it can deliver annualized returns of 16-20%, which can help investors grow their TFSA from \$100,000 to \$1,000,000 in 12-14 years.

[BAM](#) is diversified internationally and across industries. It's a value investor that aims for returns of 12-15% and manages and operates alternative assets, including private equity, real estate, renewable power, infrastructure, and credit.

Soon, it will be spinning off its reinsurance business. Much like how it spun off its other listed affiliates, it will grow the reinsurance business and access funds from the capital markets when it makes sense to do so.

The Foolish takeaway

It takes persistence to grow a TFSA from \$100,000 to \$1,000,000. Regular savings of at least \$500 a month and the ability to invest in stocks that can deliver satisfactory returns will be key.

Investors who have invested in stocks for at least five years, while reading on the subject, applying the concepts in their portfolios, and reflecting on how they can [manage their portfolios better](#) have a good chance of growing their TFSAs to \$1,000,000 sooner.

The ability to identify, buy, and hold potential stocks that can deliver annualized returns of 12% or higher over the next five years will help tremendously.

Remember that compounding will work its magic, too. Even if you don't make any more contributions once your TFSA grows to \$500,000, it can compound to \$1,000,000 in five years on a 16% rate of return.

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1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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2. TSX:BN (Brookfield)

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