



How to Get Your TFSA to \$1,000,000 in 30 Years

Description

The Tax-Free Savings Account (TFSA) is a one-of-a-kind investment vehicle in Canada. Unlike an ordinary savings account, a TFSA is a powerful tool to meet short-term financial goals or [amass a small fortune](#) over the long term. People who save and invest within a TFSA can grow the balance to \$1,000,000.

Assuming you beat the odds and succeed in accumulating a cool million, your TFSA at retirement could provide \$40,000 in tax-free annual income. So, how do you start your journey to TFSA riches?

Start contributing early

The first step is to have a TFSA, or you've been maximizing the contribution limits since 2009. For those who were 18 but haven't opened an account, the accumulated contribution room is now \$75,500. The millennials or younger folks need to save and invest as early as possible.

Maximize yearly contribution limits

Only a few realize the full potential of their TFSAs. Besides the early start, users must have the resolve to see the plan through. It means you have to maximize the yearly contribution limits. Every time you contribute the max and hold income-producing assets, not idle cash, in your TFSA, you get closer to your ambitious target.

Exercise financial discipline

The \$1 million goal is unreachable if you don't exercise financial discipline. While withdrawals are also tax-free, whatever you invest in your TFSA must stay in the account for 20, 30, 40, or 50 years. Accumulate more shares and keep reinvesting the dividends as you go along to realize the power of compounding.

Financial experts give TFSA users starting at ages 20 to 30 a relatively good chance of hitting the bull's eye. It assumes you max out the yearly limits, and the annualized rate of return is 6%. For those starting at 40, the chances to accumulate more than \$500,000 are high, given the same assumptions. Since there's no age limit, older users can keep contributing to grow their TFSA balances further.

Dividend king for the TFSA

Let's use a [dividend king](#) like **Keyera** ([TSX:KEY](#)) to drive home the point. The energy stock pays a super-high 7.39% dividend. Using the rule of 72 (72 divided by 7.39), any amount of investment will double in 9.74 years.

Assuming you're 20 and 2021 is the first year you will contribute \$6,000, your TFSA balance after 12 months is \$6,443.40. In 30 years, the money will compound to \$50,940.89. If the contribution limit stays constant in 2022 and adds to \$6,443.40, the TFSA balance in 29 years is \$98,376.30. The compounding effect works like magic if the pattern repeats each year.

Since Keyera's payout is monthly, your TFSA balance could accumulate faster if you keep reinvesting the dividends. The \$5.74 billion independent midstream energy company had a rough and tumble 2020, although it had recovered from its COVID-low of \$9.55 on March 18, 2020.

As of March 5, 2021, you can purchase the energy stock at \$25.97. Keyera investors are up 16.2% year to date, while market analysts recommend a buy rating. The target in the next 12 months is \$30, or a 15.5% jump from its current price.

Not an impossible task

The goal of a million-dollar TFSA isn't an impossible task. You can still claim victory or come close by maximizing your TFSA's potential every year.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:KEY (Keyera Corp.)

PARTNER-FEEDS

1. Business Insider
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