



3 Tips to Turn Your TFSA Into \$100,000 More Quickly

Description

Are you fairly new to your Tax-Free Savings Account (TFSA)? If so, here are a few tips to help you turn your TFSA into \$100,000 more quickly.

Maximize your TFSA savings

New TFSA room is available every year. Any unused room accumulates. Withdrawals made in a year are added back as soon as the subsequent year as additional contribution room.

You can see in the table below that the contribution room adds up fast over time! Therefore, it's a good habit to *contribute the maximum amount possible every year* to avoid falling behind in your tax-free savings.

The table below shows that if you have never contributed to a TFSA and you were eligible for the TFSA since its inception in 2009, you have \$75,500 room to invest for *tax-free* returns!

Year	Contribution Limit	Total Contribution Room
2009	\$5,000	\$5,000
2010	\$5,000	\$10,000
2011	\$5,000	\$15,000
2012	\$5,000	\$20,000
2013	\$5,500	\$25,500
2014	\$5,500	\$31,000
2015	\$10,000	\$41,000
2016	\$5,500	\$46,500
2017	\$5,500	\$52,000
2018	\$5,500	\$57,500
2019	\$6,000	\$63,500

2020 \$6,000	\$69,500
2021 \$6,000	\$75,500

If possible, set up to make monthly contributions of \$500 to your TFSA to add up to the \$6,000 by year end.

Invest in high-return assets

Maximizing your TFSA savings is the first step to achieving a \$100,000 TFSA sooner than later. The second step is to invest in high-return assets — that is, stocks.

Notably, there are different TFSA accounts. Some are GICs or savings accounts that only earn you interest income. Financial institutions advertise these a lot. However, we're in a low interest rate environment. So even the highest interest rate of 2.30% for a TFSA savings account only earns you \$1,736.50 a year on a \$75,500 balance.

The long-term average stock market returns are 7-10%, which translates to a return of \$5,285-\$7,550. The difference in the wealth you create only widens over time.

Let's say you start off with a \$6,000 TFSA this year, continue contributing \$6,000 in subsequent years, and your investments grow by 7% a year. Your TFSA would turn into more than \$100,000 in 11 years. If you're only growing it by 2.3% a year, it'll take 14 years.

Notably, in the 7%-return scenario, about 61% of the ending TFSA value of about \$107,331 is your hard-earned savings. And in the 2.3%-return scenario, about 79% of the TFSA value of about \$106,239 is your savings. Again, this shows that your savings play a key role in the early stages of your investment journey. So, save consistently on a regular basis!

Choosing stocks for your TFSA

It's highly possible to generate long-term returns of about 10% on your TFSA stock investments [without taking on excessive risks](#). That would allow you to achieve a +\$100,000 TFSA in about 10 years on annual contributions of \$6,000.

Choose to invest in [quality stocks](#) and buy them at good valuations. Ideally, they would pay nice dividends that will add to your pool of tax-free investment money.

TC Energy (TSX:TRP)(NYSE:TRP) is a nice dividend stock to start a TFSA with. Its earnings and cash flows remained super-resilient last year even though there were periods of economic disruption and lower energy demand. Specifically, its 2020 comparable earnings per share climbed 1.4%, while its comparable EBITDA declined marginally.

The quality stock has demonstrated reliable results through economic cycles by having increased its dividend every single year for two decades. Its 10-year dividend growth rate is about 7%.

The large-cap energy infrastructure company has a \$20-billion secured capital program to grow the

business through 2024. It just increased its dividend by 7% on schedule in the first quarter. It now offers an attractive yield of close to 6%. Management sees continued dividend growth in the 5-7% range in the foreseeable future.

On a 6% yield and a 5% growth rate, we can approximate total returns of at least 11% per year in an investment in TC energy stock over the medium term. Additionally, the stock is actually undervalued with 18% upside potential over the next 12 months according to the consensus analyst price target. So, it can probably beat the 11% per year returns estimate over the next three to five years.

On an 11% return, investors who maximize their TFSA every year can grow the account to +\$100,000 in nine years!

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