Millennials: Turn Your TFSA Contribution Into $9.5 Million by Retirement

Description

While millennials are excellent at saving, there's a reason many don't invest. It comes down to debt. Generation after generation has taken on more and more debt, and millennials have it really bad. The debt-to-income ratio for this group is at 216%, according to Statistics Canada. That means you need cash, and you need it now.

Even more than that, you need to invest for your future. What happens when you pay down that debt but don't have anything for an emergency? Or what if you want to retire but have nothing saved? I'm going to cover how you can start putting money away in a Tax-Free Savings Account (TFSA) and what that might turn into by the time you retire!

Build habits

Whether it's to pay down debt or to save for retirement, you need to start building habits. For example, I'm self-employed so that means each paycheque I receive each month is different. But I still want to save and invest. So, that means instead of choosing a number I'll invest each month, I choose a percentage.

I put 10% aside each month for investing in my TFSA *and* 10% aside for my Registered Retirement Savings Plan (RRSP). But I have a partner that helps me pay my bills. So, let's just say instead you put 10% aside for paying down debt, and once that's completed, you continue to put 10% aside to invest in your TFSA.

You've now built a habit that will last the rest of your life! Even easier, you can make automatic contributions if you have a steady income. Just make sure to update it as you get promotions! And, of course, make sure you don't overcontribute to your TFSA or you'll be penalized (what a problem to have)!

The numbers

Let’s say you make about $50,000 per year. That means you’ve put aside $5,000 each year towards investing. That’s amazing! But you can do even better by investing in dividend stocks. If you’re new to investing, I would highly recommend bank stocks like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

This bank has serious growth ahead, expanding throughout the United States and going more online than the other Big Six banks. It has come up with multiple ways for clients to pay down debt, which means it sees more revenue come in that the others. Over the last decade, shares have risen by 195% as of writing for a compound annual growth rate (CAGR) of 11.4%. And, of course, it offers a dividend yield of 3.78%, which has risen at a CAGR of 9.81% in that same time.

So, let’s say you continue to invest $5,000 each year for the next 30 years. We see the same amount of growth in shares and dividends. That means by the time you retire, you could have turned those payments of $417 per month into a whopping *$9,352,332* in 25 years! That’s from investing a grand total of $125,000 over the years, and reinvesting dividends along the way. Thank you, compound interest!

Bottom line

It may not seem possible, but you can absolutely retire not just rich, but mega rich if you get into some solid habits. While I wouldn’t recommend putting all your investments in one place, this provides a strong example of what can happen when you build habits that last a lifetime. In only 25 years, you may be completely set to retire.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Personal Finance

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks

2. Dividend Stocks
3. Investing
4. Personal Finance

Date
2025/09/11
Date Created
2021/04/16
Author
alegatewolfe