



How to Get Your TFSA to \$1,000,000 in 20 years

Description

Canadians with [dreams of becoming millionaires](#) someday shouldn't let go of those aspirations. The goal seems mind-boggling, if not ridiculous. However, it's not entirely impossible if you have a Tax-Free Savings Account (TFSA) and a systematic plan. It requires financial discipline and patience too.

Theoretically, you must have \$456,387 invested in an asset that yields 4% per annum to achieve the \$1 million target in 20 years. Your TFSA is the best investment account that can help you build a fortune over time. Tax isn't a concern because money growth should be tax-free as long as you [manage the account correctly](#).

Dos and don'ts

The Canada Revenue Agency (CRA) sets the annual contribution limit every year. Users need to abide by this golden rule and not over contribute. Otherwise, you incur a 1% penalty tax per month on the excess contribution. Also, stick to domestic investments or risk paying a 15% withholding tax on income from foreign assets.

Don't carry on a business or conduct day trading to earn quick bucks. The CRA prohibits the buying or selling of stocks. It will treat your earnings as business income, and therefore, subject to tax.

Methodical approach

Since its introduction in 2009, the TFSA's accumulated contribution room is now \$75,500 in 2021. For this year, the new annual limit is \$6,000. TFSA users should benefit from the power of compound interest if they maximize the yearly limits. However, you must hold more incoming-producing assets than cash if you're chasing after a one million dream.

All interest, gains, and dividends inside your TFSA are tax-exempt. Hence, the balance will accumulate faster. The magic of compounding happens if you won't touch the principal and keep reinvesting the dividends. Every time you add more assets to your portfolio, the closer you get to \$1 million.

However, it would help if you didn't take unnecessary risks or else fail in your quest. Be guarded when choosing your investments. There should be no room for error. Place your money only on mature and established companies with proven track records of success.

Raise \$1 million

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a prodigious income stock. The \$94.65 billion premier energy infrastructure company is a titan, no less, in the oil & gas midstream industry. At \$46.73 per share, the dividend yield is 7.25%. If your available contribution room is the max or \$75,500, your investment will swell to \$306,120.89 in 20 years.

A \$6,000 investment will compound to \$24,327.49 in 20 years. Assuming all remain constant (annual contribution limit and dividend yield) and you max your limits every year, your money should be close to half a million in two decades. The point here is that you stick to your game plan and see it through to reach your goal.

Enbridge is the best if you're building wealth or savings for retirement. Most TFSA users have this energy stock as their core holding. Besides moving about 25% of the crude oil produced in North America, Enbridge transports nearly 20% of the natural gas consumed in the U.S. The company is also the third-largest natural gas utility in North America by consumer count.

Long-term hold

Canadians should be happy the TFSA is available to them. Similarly, they should be thankful they can invest in Enbridge. If you won't settle for anything less than \$1 million in your TFSA, the energy stock is your ticket.

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