Canadian Couples: How to Turn Your TFSA Into $1,000,000

Description

Two investors are better than one if the goal is to become a Tax-Free Savings Account (TFSA) millionaire someday. Attaining a $1,000,000 TFSA balance requires very high investment returns if you're an individual investor. However, Canadian couples can split the responsibility and work together to achieve a common objective.

The premise in a $1,000,000 journey is always a long investment horizon. Therefore, besides the time frame, a systematic approach and the choice of eligible investments are crucial.

Hypothetical scenario

For purposes of presenting a realistic scenario, let's assume the Canada Revenue Agency (CRA) permanently pegs the annual TFSA contribution limit at $6,000. If a couple were to maximize their individual limits every year without fail, then a 30-year investment window should suffice. However, the annual rate of return must be at least 6%.

The trek to $1 million begins at the start of every year. An individual partner or spouse buys a dividend stock and holds the asset in a TFSA. Every time he or she receives dividends, the account holder should reinvest all of it. Since money growth in a TFSA is 100% tax-free, the balance will compound or grow faster.

Given the parametres above, and if the couple follows the process strictly, the result in 30 years would be approximately $502,810.06 in TFSA balance, individually. Multiply the amount by two, and it's a cool one million for the couple.

Possible adjustment

Note the sample computation excludes inflation, because the TFSA annual contribution limit is constant. The CRA increases the limit every year to keep up with inflation. Generally, the increments should be around $500 if the inflation rate estimate is 2%. Still, the scenario is somehow realistic and serves as a guide for couples.

The spouses or partners can adjust their contributions depending on the new TFSA limits at the beginning of each year. If a couple starts today, one can pick up **BCE** (TSX:BCE)(NYSE:BCE) while the other invests in **Enbridge** (TSX:ENB)(NYSE:ENB). The average yield of these buy-and-hold stocks is 6.22%. I hope, too, that the companies maintain their yields for the next 30 years.

Leader in a monopoly

Canada's largest telecommunications company is a no-brainer choice for either spouse. BCE operates in a near monopoly, so the stock is a dividend machine. It gives you the confidence to invest, because the $55.11 billion company hasn't missed paying dividends for 140 years.

BCE is bringing in the first 5G multi-access edge computing via a partnership with **Amazon** Web Services. At the current share price of $60.92, BCE pays a 5.75% dividend. The telco stock is up 15% year to date and could climb to $69 based on analysts' forecast.

Best value proposition

Most TFSA investors have Enbridge as their core holding. The $100.12 billion pipeline giant is a generous income provider with its 6.7% dividend. At $49.43 per share, the energy stock's year-to-date gain is 26%. Also, analysts recommend a buy rating. They forecast the stock to rise 19% to $59 in the next 12 months.

Enbridge's value proposition is one of the best. The low-risk business model makes it resilient. Likewise, the energy stock has delivered superior shareholder value for years already. Because of the longevity of cash flows, would-be investors can expect consistent dividend growth and lasting income streams.

Realistic goal

Canadian couples with a well-laid plan and dependable sources of investment income can achieve their $1 million TFSA goal in about 30 years.

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2. NYSE:ENB (Enbridge Inc.)
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