



## TFSA Investors: Turn a \$5,000 Annual Investment Into \$500,000

### Description

The Tax-Free Savings Account (TFSA) has to be one of the best ways for Canadians to create reliable income. And choosing a solid dividend stock could be a great way to create that income long term. But if you don't need it right away, that income can also create an investment [opportunity](#) for TFSA investors.

### Why the TFSA?

The reason I would choose a TFSA over a Registered Retirement Savings Plan ([RRSP](#)) for younger investors only able to choose one, is simple: freedom. You don't have to worry about taxes, as long as you stay within the contribution limit and follow the simple guidelines, you can take out the cash at any time.

And this contribution limit is where a strong dividend stock comes into play. While you may have reached your contribution limit, you can use your dividend income to invest as well while staying within the rules.

### A good starting point

If you're one of the younger TFSA investors, it may be more difficult to even reach that contribution limit. That's why I like to recommend taking about 10% of each paycheck to put towards your TFSA. If you make the average Canadian wage of around \$50,000, that's \$5,000 a year to invest. Yet it only takes out about \$415 each month.

So, now, as mentioned, you need a top dividend stock to consider. While a high yield is great, it's not everything. You need a company with a long track record of growth and dividend payments if you want to make sure you'll be paid decades from now. And that's why I tend to lean towards the Big Six banks.

## TD stock

**Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) has increased its dividend for the last 11 consecutive years. TD stock recently increased its dividend as well after a freeze among the Big Six banks. TFSA investors were rewarded for their patience with a 13% dividend increase in December.

The other Big Six banks bumped up their dividends, too, but TFSA investors wanting growth should definitely consider TD stock. The company hit triple digits this year and has multiple sources of growing revenue. This includes credit card, U.S. expansion, and loan-repayment programs. Therefore, it's a strong idea for those seeking growth and dividends.

As of writing, you can pick up TD stock with a [dividend](#) yield of 3.55%. So, it's likely the company will boost it again for TFSA investors to reach a higher yield in the near future.

## Creating that \$500K goal

So, if you have \$5,000 to put aside each year, TFSA investors can pick up TD stock today and get about 50 shares. That would bring in a dividend of \$178 annually as of writing.

Now, if you kept investing that \$5,000 and continued to reinvest your dividends, you could create substantial wealth in your TFSA. In 22 years, you could have a portfolio worth about \$522,777 based on today's historical data — all from just one stock for TFSA investors.

### CATEGORY

1. Dividend Stocks
2. Investing

### 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. Smart News
8. Yahoo CA

### PP NOTIFY USER

1. alegatewolf

2. kduncombe

**Category**

- 1. Dividend Stocks
- 2. Investing

**Date**

2025/07/08

**Date Created**

2022/01/29

**Author**

alegatewolfe

default watermark

default watermark