3 Steps to Retire Early With Your TFSA

Description

Early retirement is possible, but it's quite difficult to achieve. And the earlier you plan on retiring, the more difficult it's likely to become. The reason is that you have relatively little time to accumulate enough wealth to retire on, and you will spend more time using your retirement savings. However, retiring relatively early, like at 60 or even 55 instead of 65, is quite possible with the right investing strategy.

TFSA can be a powerful part of that strategy. Let's assume you have a fully-stocked TFSA ($81,500) and about 15 years till an early retirement. There are three steps you need to take.

Invest heavily in growth

You have to develop a healthy risk appetite and invest in decent growth stocks, even if they are a little overvalued for your taste. A perfect example would be **StorageVault Canada** (TSX:SVI). The stock grew about 233%, and it's a much more conservative estimate than its 10-year growth and CAGR. If it can replicate that growth rate for the next 15 years, the stock can easily grow your investment capital seven times.

So if you invest a healthy portion of your TFSA funds, say $40,000 in this kind of robust growth, you may have about $280,000 15 years from now. A more pragmatic approach would be to split that capital (say in four pieces) and invest $10,000 each in a similar growth stock. So even if one fails completely, you can still make about $210,000.

Start building up an income-producing asset

Enbridge (TSX:ENB)(NYSE:ENB) is one of the most generous and reliable dividend stocks. It's quite safe, especially for an energy stock, and has an impressive network and business model, which is likely to allow the company to weather *most* of the storms the energy sector might face in the future as the world slowly leans away from fossil and green energy sources.

What you can do with a stock like Enbridge is to invest a decent sum and opt for DRIP (Dividend ReInvestment Plan). If you invested about $20,000 in the company now, you would generate about $1,200 a year from its 6% yield. Assuming the stock price doesn't grow past $60 in the next 15 years, you can buy about 20 stocks of the company every year through DRIP. This would allow you to grow your stake from about 354 shares to 654 shares.

So the dividend income would almost double (more, considering its dividend growth history), and you can use the tax-free income to augment your retirement pensions.

Take smart risks

Marijuana stocks like **Organigram** (TSX:OGI)(NASDAQ:OGI) are currently in a deep rut, but they could offer amazing capital appreciation potential if bought and sold at the right time. For example, the stock grew well over 300% twice in the last five years alone. So theoretically, you *could* grow your capital by 600% within five years by buying and selling at the right time.

Assuming you nail the timing every time and start with $10,000 in your TFSA, you could turn that into $60,000 in five years. Following the same approach, the $60,000 *could* potentially be turned to $360,000 in the next five years. Assuming you do half as well, i.e., $120,000 and just double it in the next five years, you can still reach quite close to the quarter of a million in 15 years.

Foolish takeaway

With about $70,000 from your TFSA funds, you can reach about half a million dollars in 15 years, along with a dividend position may pay about $2,400 or more every year (rough estimate). And that's with the funds you have now and is not taking the $6,000 you will contribute every year for the next 15 years to your TFSA (about $90,000 in total). With your RRSP and pensions, it's quite possible to retire early.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:OGI (OrganiGram)
5. TSX:SVI (StorageVault Canada Inc.)

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