



A \$1,000,000 TFSA is Possible! Here's How

Description

Accumulating \$1,000,000 in your [Tax-Free Savings Account \(TFSA\)](#) might seem far-fetched. But with the right strategy and a little discipline, it's certainly achievable. Here's how you can create a million-dollar TFSA relatively quickly.

TFSA assumptions

You'll have to make some assumptions for any long-term wealth creation plan. In this case, we're going to assume that the structure of the TFSA program remains unchanged for the foreseeable future. We're also going to assume that you are eligible for the full TFSA contribution room of \$81,500.

Finally, we assume that the government will keep expanding this contribution room steadily for the next decade. That means \$6,000 in additional contribution room every year until the mid-2030s.

Based on these assumptions, your starting capital is \$81,500 and your annual investment is \$6,000. Over the course of a decade, this strategy should help you accumulate \$141,500 in your TFSA. That's impressive, but a long way off from our million-dollar goal.

To achieve the seven-figure benchmark, you'll need to invest your TFSA in hypergrowth stocks.

Hypergrowth stocks

Extraordinary outcomes require extraordinary measures. Most investors deploy their TFSA in vanilla savings accounts or blue chip dividend stocks. This is a perfectly reasonable strategy, but to hit the million-dollar mark you'll need a portfolio of hypergrowth stocks.

Hypergrowth stocks can deliver double-digit returns consistently over long periods. A stock that's growing at an annual rate of 26% or above could be an ideal target.

Stocks like **Constellation Software** ([TSX:CSU](#)) are an ideal fit. The enterprise software conglomerate has steadily expanded its portfolio of niche software firms over the past three decades. Recurring revenue and free cash flow have both expanded at a double-digit annual rate.

Meanwhile, the stock is up 2,230% over the past 10 years — a compounded annual growth rate of 36%.

This year, the company broke its own record for deal-making. It deployed more capital in the first half of 2022 than it did in all of 2021. These acquisitions may take a while to be fully integrated into the core business, but shareholders should see the results reflected in the financials relatively soon.

By deploying a maxed-out TFSA in growth stocks, Constellation Software could help you reach \$1 million within the next decade. In fact, if it can sustain its current pace of a 36% CAGR, Constellation Software could help push your TFSA balance beyond \$2 million by 2032.

Bottomline

A million-dollar TFSA is rare but not impossible. With the right strategy and some patience, you could push your account beyond seven figures relatively soon.

The key is to maximize the contribution room you have available and focus on hyper-growth stocks like Constellation Software. Consistently reinvesting in steady growth stocks should help you build wealth within the next decade.

For most investors, a million-dollar TFSA should deliver enough tax-free passive income to cover living expenses and guarantee financial freedom.

CATEGORY

1. Investing
2. Tech Stocks

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1. TSX:CSU (Constellation Software Inc.)

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Author

vraisinghani

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