



How to Turn a \$10,000 TFSA Into \$100,000 Through Stock Investing

Description

Who says the [Tax-Free Savings Account](#) (TFSA) can't be used for long-term savings goals? Due to the enormous tax benefits, the TFSA can be a huge wealth generator for investors that have time on their side.

In 2022, the annual contribution limit of the TFSA is set at \$6,000. However, going back to 2009, when the TFSA was introduced, the total contribution limit is \$81,500. Don't worry if you're behind on your savings; unused contributions can be carried over from year to year.

Perhaps one of the most significant benefits of investing in a TFSA is the tax-free compounded gains. The total contribution limit is \$81,500 today, but there's no cap on the gains or income generated off of those contributions.

If, for example, your investments held within a TFSA grew by 10% last year, those gains can be withdrawn at any point in time, completely tax free.

Building a \$100,000 TFSA

Being able to fully max out your TFSA today may seem out of reach. It takes time to save \$81,500. Let's instead look at an example of a TFSA with \$10,000 in it and see what the long-term growth opportunities look like.

If that \$10,000 was invested in a high-yield savings account earning 1% annually, it would be worth just over \$11,000 in a decade. In 25 years, it would have grown close to \$13,000.

Let's now look at an example where that \$10,000 was invested in stocks. At an annual return of 10%, you'd be sitting on a nest egg of \$25,000 in a decade. If you were to instead keep that invested for a total of 25 years, it would be worth close to \$110,000.

Now, the question is how to earn 10% a year annually. Fortunately, it can be easier than you think. The [TSX](#) is full of high-quality stocks that have a long history of delivering annual returns of 10% and

higher.

If you're looking to take your TFSA to the next level, here are two top Canadian stocks that should be on your radar.

Brookfield Asset Management

If I had to choose just one Canadian stock to build a long-term portfolio around, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) would likely be my choice.

The \$100 billion asset management company provides instant diversification to a portfolio. Brookfield Asset Management has operations spread across the globe, spanning a range of different industries.

Shares are up 100% over the past five years and more than 300% over the past decade. On top of that, the stock's dividend yield is above 1% at today's stock price.

Constellation Software

If you're looking for even more growth potential, **Constellation Software** ([TSX:CSU](#)) may be a better fit for you.

The tech stock is up close to 200% over the past five years and more than 1,000% over the past decade. Growth has been slowly meaningfully in recent years but annual returns for the stock continue to come in far above 10%.

Seeing growth slow certainly isn't a reason not to invest in this tech stock today. Compared to many of its younger and higher-growth tech peers, Constellation Software is far less volatile and much more affordable from a valuation perspective.

TFSA investors looking to fast-track their way to a \$100,000 investment portfolio should have this tech company at the top of their watch lists.

CATEGORY

1. Investing

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2. TSX:BN (Brookfield)
3. TSX:CSU (Constellation Software Inc.)

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Date

2025/08/15

Date Created

2022/09/05

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