Retire in 2042: Convert a $50,000 TFSA Into $500,000

Description

Stock markets worldwide are down as the global economy grapples with a recession risk due to monetary policy tightening. On a brighter note, recessions allow you to buy fundamentally strong stocks at dirt cheap prices. Those who invested during the 2009 Great Recession now have a fat Tax-Free Savings Account (TFSA) retirement portfolio. With a $50,000 investment, you can create a half million TFSA portfolio. I'll show you how.

How to invest $50,000 in a TFSA

$50,000 is no small amount. But if you invest $1,000 each month or $250 each week, your TFSA investment could reach $50,000 in a little over four years. Plus, regular investing can reduce your investment costs in a bear market through dollar cost averaging.

For instance, say you invested $500 in **BCE** (TSX:BCE)(NYSE:BCE) in mid-August when it was trading at $66 and another $500 when the stock price fell to $61.9. The two monthly investments would have reduced your average cost to $64.1 per share. The stock could continue to fall as the recession unfolds. The World Bank warns of a global recession in 2023, and it could take at least two years to recover.

If you start investing $1,000 per month now, you can make the most of the recessionary downturn.

How to convert $50,000 to $500,000 by 2042

The target is to earn half a million by 2042, but you spent the first four years accumulating $50,000 throughout the bear market. To grow your money to $500,000 in 16 years (2042), your TFSA portfolio should return a compound annual growth rate (CAGR) of 15.5%.

A 15% growth rate requires a mix of dividend and growth stocks. Here are two stocks to get you started. Keep in mind, you can always make changes to your stock selection depending on the business environment.

Growth stock with the potential for a 20% CAGR

My preferred long-term growth stock is **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX) because it's due for a significant rebound when the economy recovers. It provides supply chain management services across several verticals. The world is increasingly experiencing global supply chain disruptions as western countries impose sanctions on Russia. Building a new supply chain creates new opportunities for Descartes, which it will realize over time.

Descartes's stock is currently down 22% from its November 2021 high as it was hit by the fall of e-commerce volumes and global supply chain disruptions. It will fall further if the world enters a recession, which could slow trade temporarily. However, Descartes stock can withstand a recession and rebound with a 10-year CAGR of more than 30%.

Descartes's stock surged at a 42.9% CAGR between December 2018 and December 2021. The stock bottomed out from the United States-China trade war in 2018 and peaked during the pandemic tech rally. In the longer term, it reported a 26.9% CAGR between the dip of February 2016 and the moderate decline in February 2022. Its 20-year CAGR from 2002-2022 was 16.5%, even when the first eight years saw little to no growth.

I expect Descartes's next 20-year CAGR to be above 20%, driven by e-commerce adoption and global supply chain restructuring. This time, Descartes has the technology and the experience to tap this growth.

Dividend stock with over 9% CAGR by 2042

Never put all your eggs in one basket. A dividend stock like **True North Commercial REIT** (TSX:TNT.UN) can deliver a 9% CAGR in the long run. Here's how. This small-cap commercial REIT has a five-year average annual distribution yield of 9%. Rising interest rates are pulling down the stock price of REITs, with True North Commercial's price down 18% since the first interest rate hike. This trend could continue until mid-2023.

This REIT can withstand a recession thanks to the fact that 76% of its rental income comes from the government and a high credit-ranking tenant base. Plus, the dividend reinvestment plan (DRIP) can compound the 9% average dividend yield.

A $300 monthly investment in True North Commercial's DRIP for five years could turn your invested amount into $18,000. If the REIT maintains its current distribution amount, this $18,000 could convert to $72,000 by 2042 (9.6% CAGR). This is a conservative estimate as the REIT may grow its distributions in the next 20 years by broadening its income-generating portfolio.

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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:BCE (BCE Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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