



How to Easily Turn a \$50,000 TFSA Into \$500,000 by 2040

Description

Investing in the stock market carries certain risks. We have seen the S&P 500 index is already down 25% year to date due to a range of macroeconomic challenges. Investors are worried the double whammy of rising interest rates, and red-hot inflation might weigh heavily on corporate earnings in the next year, which may also trigger a global recession.

As it's impossible to time the dip, the ongoing [bear market](#) presents a perfect long-term buying opportunity. Further, if you can identify quality growth stocks that can outpace the broader market, your wealth can increase exponentially in the next two decades.

How a TFSA can be used to build generational wealth

Canadian investors can buy and hold growth stocks in their [TFSAs](#) (Tax-Free Savings Accounts). The TFSA is a tax-sheltered account. So, any returns in the form of capital gains, interests, or even dividends are exempt from federal taxes.

The TFSA can hold a variety of qualified investments, including stocks that trade south of the border. Despite the ongoing pullback, investors should understand that the U.S. is the world's largest economy and home to several multi-billion-dollar companies. These companies generate revenue from several international markets, which provides diversification to investors.

Here, I have shortlisted two U.S. tech stocks that could turn \$50,000 TFSA into \$500,000 by 2040.

A cloud-based data giant

The first company is **Snowflake** ([NYSE:SNOW](#)), which enables enterprises to mobilize data with a focus on scale and performance. Snowflake offers the Data Cloud, where organizations can easily unite siloed data and execute a wide range of analytic workloads.

Due to the huge demand for cloud-based solutions, Snowflake has increased its sales from US\$96.6

million in fiscal 2019 to US\$1.21 billion in fiscal 2022 (ended in January). In the fiscal second quarter (Q2) of 2023, Snowflake's product revenue surged 83% year over year to US\$466.3 million.

The company ended the quarter with more than 6,800 customers and a net revenue retention rate of a stellar 171%. So, it indicates existing customers increased spending on the Snowflake platform by 71% in the last 12 months. Additionally, 246 customers generated annual sales in excess of US\$1 million.

Snowflake ended the quarter with a remaining performance obligation of US\$2.7 billion, providing enough visibility into the company's future sales.

SNOW's stock price is down 61% from all-time highs and is trading at a discount of 35% to consensus price target estimates.

An e-commerce heavyweight

Etsy ([NASDAQ:ETSY](#)) is one of the largest e-commerce companies in the world and is valued at a [market cap](#) of US\$13.9 billion. It has gained popularity as an online marketplace for handcrafted and vintage products.

Unlike brick-and-mortar retailers, Etsy does not hold inventory, allowing it to benefit from higher profit margins. In the last four quarters, it reported revenue of US\$2.4 billion and a free cash flow of US\$530 million.

Etsy is part of the rapidly expanding e-commerce market and is forecast to increase sales to US\$2.5 billion in 2022 and US\$2.74 billion in 2023. While it has a huge presence in North America, Etsy can gain massive traction in other markets across Europe and Asia.

Etsy stock is priced at 5.5 times forward sales and 49 times forward earnings, which is still quite steep. But growth stocks command a premium multiple, and Etsy stock is trading at a discount of 12% compared to price target estimates.

The Foolish takeaway

The two stocks discussed here are examples of quality growth companies that can outpace the broader markets over time. You should identify similar companies for your TFSA and build a robust portfolio of U.S. growth stocks.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:ETSY (Etsy)
2. NYSE:SNOW (Snowflake Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
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