



How I'd Invest in a TFSA Today to Aim for \$1 Million

Description

Have you ever wondered if investing in your TFSA ([Tax-Free Savings Account](#)) could make you a millionaire? Well, it's certainly possible, and it might be easier than you think.

Becoming a TFSA millionaire might be easier than you think

The amazing benefit of using the TFSA is you don't pay any tax on any investment income you earn. You get to keep *all* the compounded [wealth](#) that is created by investing. The extra savings that result from paying no tax can be worth *a lot* if you give it years and decades to grow.

You will need a decent amount of upfront capital, a savers mindset, patience, and a long investment horizon. Here's one hypothetical scenario that could turn you into a TFSA millionaire.

If you were 18 years or older in 2009, you can contribute a total of \$81,500 to your TFSA today. Say you consistently earn a decent 8% average annual return (optimistic, but not impossible) on the \$81,500 you invest. If you remain invested for the next 35 years, that initial investment could compound into as much as \$1.2 million.

If you were to also contribute \$6,000 annually to your TFSA (the current annual contribution limit) over that same period, you could potentially reach millionaire status in 25 years or less!

Save, invest in your TFSA, earn, re-invest, repeat

The point here is to use the principles of [compound interest](#) to your advantage. Especially in your TFSA, where you pay zero tax, and you can maximize returns. If you're looking for some individual stocks that could help push a diversified TFSA portfolio to a million-dollar balance, **goeasy** ([TSX:GSY](#)) and **Topicus.com** ([TSXV:TOI](#)) might be of interest.

goeasy

goeasy has delivered exceptional returns for shareholders over the long-term. Even though its stock is down 38% this year, this non-bank lender has still earned a massive 1,665% total return (32.9% annualized) over the past 10 years. For context, a \$10,000 investment in goeasy in 2012 would be worth over \$175,000 today.

With a price-to-earnings (P/E) ratio of only 10 times, goeasy stock looks pretty cheap. It still has a large market to penetrate, especially when you think of potential growth opportunities outside of Canada. Likewise, it has new innovative lending products/services that could significantly expand the reach of its lending platform.

In the near-term, this stock could face some short-term economic headwinds. However, TFSA investors can earn a tax-free 3.5% dividend yield, so it pays to be patient when owning this stock.

Topicus.com

If you're looking for a tech stock in the early innings of growth, you might want to consider Topicus.com for your TFSA. It was spun-out of **Constellation Software** just over a year ago. Over the past 10 years, Constellation has earned shareholders a 1,782% total return (33.85% annualized).

Topicus applies the same vertical market software consolidation strategy as Constellation. However, it has a unique focus on Europe. Given how diverse Europe is, Topicus has thousands of potential [acquisition targets](#). It's also expanding its software reach and growing by an attractive organic rate.

This stock is down 36% in 2022 and it hasn't been this low since it IPO'd early last year. While it's not a "cheap" stock, it has a strong balance sheet, smart managers, and a long runway of growth ahead. This is a great stock to buy for your TFSA and hold for many years to come.

CATEGORY

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TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:GSY (goeasy Ltd.)
3. TSXV:TOI (Topicus.Com Inc.)

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