



TFSA Investors: Turn \$50,000 Into \$1 Million and \$20K/Year in Tax-Free, Passive Income

Description

Investors are always on the lookout for stocks that can turn a \$10,000 investment into \$1 million or more. But it is extremely difficult to consistently find such stocks that can keep churning exponential returns. Instead, it would be more prudent to identify a basket of blue-chip companies that can create wealth over time and where investors can benefit from the power of compounding.

Most blue-chip stocks trading on the TSX also pay investors a dividend that can be reinvested and increase portfolio values over time. Further, if these stocks are held in a TFSA (Tax-Free Savings Account), both dividends and capital gains will be exempt from Canada Revenue Agency taxes.

Let's take a look at how TFSA investors can turn \$50,000 into \$1 million and generate \$20,000 in tax-free income each year by buying [dividend stocks](#).

Enbridge

A well-diversified energy infrastructure company, **Enbridge** ([TSX:ENB](#)) is among the largest entities on the TSX. A majority of Enbridge's cash flows are backed by long-term contracts and are indexed to inflation, making it relatively immune to commodity prices.

Enbridge has delivered solid returns to investors in the last two decades. Since November 2002, ENB stock has returned 978% to investors in dividend-adjusted gains.

An investment of \$12,500 in ENB stock would allow investors to buy 1,104 shares of the company and earn \$448 in dividends in the next 12 months, indicating a yield of 3.6%. Now, 1,104 shares of Enbridge will allow investors to generate \$3,800 in annual dividends today, increasing your effective yield to 30.4%.

goeasy

A cyclical company operating in the financial lending space, **goeasy** ([TSX:GSY](#)) stock has returned a staggering 4,000% to investors in dividend-adjusted gains in the last 20 years. GSY has been among the top-performing stocks on the TSX and is currently trading 49% below all-time highs.

An investment of \$12,500 in GSY stock would allow you to buy 2,887 shares in November 2002. The company started paying a quarterly dividend of \$0.01 per share to investors in May 2004, which increased to \$0.06 per share in March 2005. So, in the 12 months after starting to pay a dividend, 2,887 GSY shares allowed investors to generate \$346 in annual payouts.

Today, your annual dividends will stand at \$10,508, increasing your effective yield to a stellar 84%. goeasy has increased its dividend at an annual rate of 28% in the last 18 years.

TD Bank

One of the largest banks in North America, **Toronto-Dominion Bank** ([TSX:TD](#)) is another blue-chip stock that should be part of your equity portfolio. In the last 20 years, TD Bank stock has surged 1,110%. Despite these outsized gains, it's also down 19.3% from all-time highs.

An investment of \$12,500 in TD stock would allow investors to buy 834 shares of the company. You could then generate \$466 in annual dividends in the next 12 months. Today, 834 shares would allow you to derive more than \$2,965 in annual dividends.

Brookfield Renewable Partners

The final blue-chip stock on my list is **Brookfield Renewable Partners** ([TSX:BEP.UN](#)), which is among the largest clean energy companies globally. Since November 2002, BEP stock has returned 2,004% to investors.

An investment of \$12,500 would then allow you to buy 1,543 shares of the company, resulting in dividend payments of \$750. Today, 1,543 shares of BEP will result in annual dividend payouts of \$2,680 each year.

The bottom line

We can see a cumulative investment of \$50,000 distributed equally in these four TSX stocks two decades back would be worth \$1.05 million today. Further, your dividend payments would surge to almost \$20,000 each year, translating to an effective yield of almost 40%.

While historical gains do not guarantee future returns, it makes sense to identify similar fundamentally strong companies that have the potential to consistently raise dividends and outpace the markets over time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:GSY (goeasy Ltd.)
7. TSX:TD (The Toronto-Dominion Bank)

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