



How to Create a Million-Dollar TFSA in Two Decades

Description

Two decades. It's true. That's all it could take to create a million-dollar [Tax-Free Savings Account](#) (TFSA). But it's going to certainly take at least *one* thing.

Commitment.

Commitment to consistently reinvesting in strong companies again and again. That means *not* spending your passive income but *using* it to reinvest in your chosen companies. So today, I'm going to go over the three top stocks I would choose to create that million-dollar TFSA on the **TSX** today. Then, we'll see what you could create after 20 years.

The chosen few

If you want a TFSA that's going to remain consistent, one that you can commit to for two decades, you need stocks that have performed well in the past. Therefore, the best Canadian stocks to consider in my view are **Canadian Utilities** ([TSX:CU](#)), **Bank of Montreal** ([TSX:BMO](#)) and **BCE** ([TSX:BCE](#)).

Each of these companies is at the head of the game in their chosen sectors, and has been around for decades on decades. At least 20 years, but in all three cases much longer. Plus, each is in sectors that are practically guaranteed to be around for the next 20 years as well.

CU stock is one of the best Canadian stocks on the TSX today for your TFSA as it's in the utilities sector. It provides a stable flow of revenue, and that's only growing stronger with the transition to renewable energy. It's also the only Dividend King on the TSX today.

BMO stock is one of the Big Six Banks with huge market share, and providing a 4.29% dividend to boot. It's also on the growth path from investing in the United States, putting it ahead of the pack in terms of current expansion opportunities. As for BCE stock, it holds 60% of the [telecommunications](#) market share, and that won't be disappearing even with a potential merger from other telecoms.

Making that million

To aim for \$1 million, we need to figure out a few things. You have 20 years, and let's say you make about \$65,000 per year. A great investment starting point then is about 10% of your income, so \$6,500 per year, which is within the TFSA contribution limit. Then, you have \$30,000 to get you going.

Based on the historic performance of these three stocks on the TSX today, we'll give an average compound annual growth rate (CAGR) of 10%. Plus, a CAGR of 7% increase in dividends for your portfolio. Now, we'll create a chart to see how this will add up over time.

Year	Principal	Annual Dividend	Yield	After DRIP Value	Principal Increase	Annual Contribution	New Balance
1	\$30,000.00	\$1,684.34	5.50%	\$31,684.34	\$3,000.00	\$6,500.00	\$41,184.34
2	\$41,184.34	\$2,247.96	5.35%	\$43,432.31	\$4,118.43	\$6,500.00	\$54,050.74
3	\$54,050.74	\$2,868.22	5.20%	\$56,918.96	\$5,405.07	\$6,500.00	\$68,824.04
4	\$68,824.04	\$3,550.68	5.06%	\$72,374.72	\$6,882.40	\$6,500.00	\$85,757.12
5	\$85,757.12	\$4,301.39	4.92%	\$90,058.51	\$8,575.71	\$6,500.00	\$105,134.22
6	\$105,134.22	\$5,126.90	4.79%	\$110,261.12	\$10,513.42	\$6,500.00	\$127,274.54
7	\$127,274.54	\$6,034.36	4.66%	\$133,308.90	\$12,727.45	\$6,500.00	\$152,536.36
8	\$152,536.36	\$7,031.50	4.53%	\$159,567.85	\$15,253.64	\$6,500.00	\$181,321.49
9	\$181,321.49	\$8,126.69	4.41%	\$189,448.18	\$18,132.15	\$6,500.00	\$214,080.33
10	\$214,080.33	\$9,329.04	4.29%	\$223,409.37	\$21,408.03	\$6,500.00	\$251,317.40
11	\$251,317.40	\$10,648.38	4.17%	\$261,965.78	\$25,131.74	\$6,500.00	\$293,597.52
12	\$293,597.52	\$12,095.38	4.06%	\$305,692.90	\$29,359.75	\$6,500.00	\$341,552.66
13	\$341,552.66	\$13,681.57	3.95%	\$355,234.23	\$34,155.27	\$6,500.00	\$395,889.50
14	\$395,889.50	\$15,419.43	3.84%	\$411,308.93	\$39,588.95	\$6,500.00	\$457,397.88
15	\$457,397.88	\$17,322.46	3.73%	\$474,720.34	\$45,739.79	\$6,500.00	\$526,960.12
16	\$526,960.12	\$19,405.22	3.63%	\$546,365.34	\$52,696.01	\$6,500.00	\$605,561.36
17	\$605,561.36	\$21,683.48	3.53%	\$627,244.83	\$60,556.14	\$6,500.00	\$694,300.97
18	\$694,300.97	\$24,174.24	3.44%	\$718,475.21	\$69,430.10	\$6,500.00	\$794,405.31
19	\$794,405.31	\$26,895.89	3.34%	\$821,301.20	\$79,440.53	\$6,500.00	\$907,241.73
20	\$907,241.73	\$29,868.24	3.25%	\$937,109.97	\$90,724.17	\$6,500.00	\$1,034,334.14

As you can see, after 20 years this portfolio would give you \$1.034 million! What's more, you could confidently hold this for another 20 years, renewing your commitment to creating income that lasts a lifetime.

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2. TSX:BMO (Bank Of Montreal)
3. TSX:CU (Canadian Utilities Limited)

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Author

alegatewolf

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