



TFSA Investors: How to Turn a \$100 Monthly Investment Into \$75,000

Description

Do you have your sights set on a portfolio worth \$75,000? I'll show you how a \$100 monthly investment into a Tax-Free Savings Account (TFSA) can grow into \$75,000. It might surprise you how quickly just a \$100 monthly contribution can grow.

Maybe you need this \$75,000 for a down payment on the house, or to take a year or two off work. A TFSA provides flexibility on when you can access the money. That being said, that tax-free access might make it tempting to withdraw your funds early. If you set a goal of reaching \$75,000, make sure you hold yourself accountable and only withdraw the money once you've actually hit your goal.

It's easy enough to open up a TFSA. All you need to be is a Canadian resident aged 18 years or older. Where investors are more likely to struggle is when it comes to [choosing the right investments](#) to match their financial objectives.

Once you know how much you can contribute per month, say \$100 for this example, and have determined your goal, \$75,000, now you can decide what type of investment is best to reach that goal.

Investing in the stock market

Stocks will typically provide a much more volatile return compared to other investment vehicles Canadians could own, but in the long run, you'll be hard-pressed to find an investment that can match the average annual growth that stocks can potentially provide. Typically, you could expect average annual returns in the range of 6-8% over the long-term when investing in total stock market indexes.

If you're confident enough to take even more control over your portfolio, investing in individual stocks can lead to growth much higher than 6-8%. However, investors need to remember that there's also a very possible chance of earning much less than what the broader market could deliver in growth.

Rather than diving right into the deep end of investing in individual stocks, I've covered a Canadian company that is as diversified as they come. Due to its diversification, daily price volatility will be far less than what some of the top high-flying tech stocks are dealing with on a daily basis today.

Brookfield Asset Management

Year to date, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) is trading roughly at the same price that it began the year. But over the past decade, it's up 250%, and up almost 2,000% over the past 20 years.

The asset management company has been one of the most reliable Canadian stocks to own for decades. Due to its [broad exposure to different industries](#), the stock has been a consistent grower with minimal volatility in comparison to some other high-growth Canadian stocks.

The share price growth of Brookfield Asset Management has absolutely crushed the returns of the Canadian market over the past 10 years. Over the past decade, the asset management company has delivered an average annual growth rate of close to 15% to shareholders. The Canadian market has returned a total of less than 50% growth over the past 10 years.

There's no guarantee that Brookfield Asset Management will deliver the same type of growth over the next 10 years, but it gives investors an idea of how long it could potentially take to reach a goal of \$75,000.

How to turn \$100 into \$75,000

For investors that had been buying \$100 worth of Brookfield Asset Management stock on monthly basis over the past 10 years, they would be sitting on a portfolio worth \$25,000 today. Add another 10 years of investing \$100 monthly at a growth rate of 14%, you'd have \$125,000.

To be a bit more conservative, let's dial back the expected growth rate to 7%, half of what Brookfield Asset Management returned over the past 10 years. Even at a growth rate of just 7%, a monthly investment of \$100 would be worth more than \$80,000 in 25 years. Increase that growth rate to 10% and now you'd only need 20 years to hit \$75,000.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

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1. Business Insider
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