special report

3 Tools For a $500 000 TFSA

THE MONEY COACH

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The most common questions I receive are around the TFSA. Many Canadians don't realize how powerful a role the TFSA can play in their journey to financial independence. Simply stated, the TFSA is awesome. In this Special Report I am going to show you how to (almost effortlessly) add $500,000 tax-free to your retirement.

Let's do this.

First, you are going to have to make sure you stay as far away as possible from Canada's high fee mutual funds. The average equity MER in Canada is 2.25% and, over time, these fees can be devastating to your portfolio.

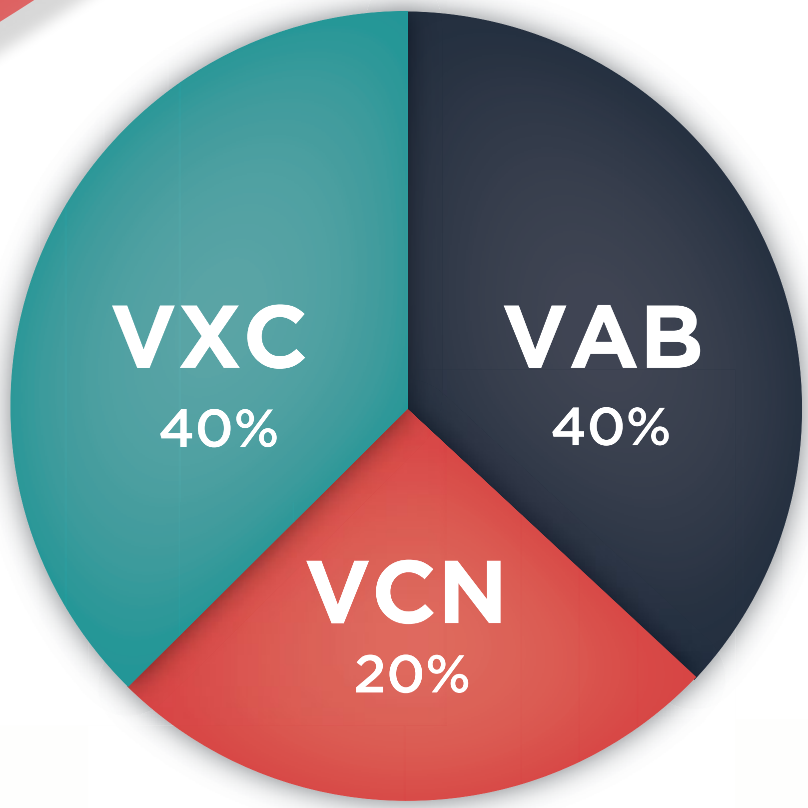
> "Canadians are allowing themselves to be gouged, and losing a great deal of their own retirement income in the process."
>
> -Amanda Lang, CBC, February 15, 2015

*http://bit.ly/22cWhwh

1 Vanguard ETFs

I am 44 years old and to reach $500,000 by age 71 (when I plan on slowing down, just a little, LOL) I need to earn an average return of 5%/year. I can safely manage this with three well-diversified and low-fee ETFs from VanGuard: Canadian Aggregate Bond Index (VAB); FTSE Canadian All-Cap Index (VCN), and FTSE All-Cap Ex-Canada (VXC).

A portfolio comprised of 40% bonds and 60% equities would look like this:



Cool fact: The total annual cost for this portfolio is .168% This is not a misprint—the fees for this Vanguard portfolio are a tenth of what the average investor in Canada pays for mutual funds.

And yes, this portfolio is just as good, if not better, than almost any actively managed Canadian mutual fund portfolio.*

*http://bit.ly/22cWhwh

Questrade 2

My favorite online trading firm in Canada is **Questrade**. And don't be put off by the words "online" or "trading." Questrade is just as safe as TD or CIBC, and if the only trading you ever do is buy three ETFs and hold them for 30 years, that's just fine. (although you should think about rebalancing every few years.)

"Questrade, which has been steadily climbing in my annual brokerage ranking… charges no commissions when you buy exchange-traded funds, or ETFs."

—Rob Carrick, Globe & Mail, March 25, 2016

Why Questrade?

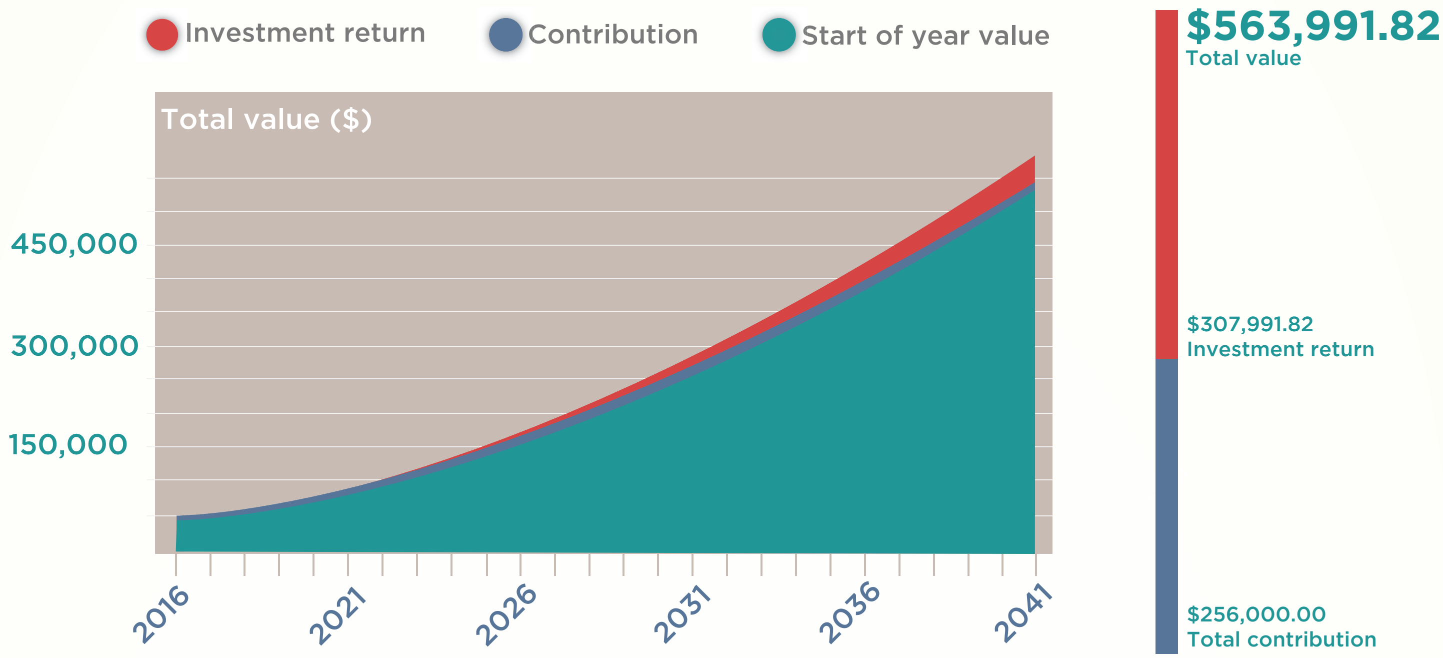
Absolutely 100% free to purchase North American ETFs. Yes, you read that correctly. You can build a six-figure portfolio of low-fee, well-diversified ETFs for zero commission. I love this.

Lowest cost commissions in Canada. The fees paid to Questrade are payable when you sell your ETF holdings. If you are regularly buying and selling ETFs (not necessary or even recommended, but whatever floats your boat!), when you sell your ETF holdings, you will pay up to $9.99 per transaction.

USD accounts. For every ETF that exists in Canada, there are probably ten in the U.S. At many firms, if you want to purchase U.S. stocks or ETFs, you can expect to pay high currency exchange fees on these transactions. Often up to 2% on each the buy and the sell. Crazy! Questrade solves this by providing investors with a 100% U.S. dollar section of their account. Meaning you can deposit $10,000 in U.S. dollars, buy and sell ETFs for 30 years, and then, in your seventies, withdraw the funds to spend time in Florida. And the funds are never, ever converted to Canadian dollars (unless you want them to be). **All good.**

And so with the incredible combination of Questrade and Vanguard ETFs, I am easily and inexpensively able to create a simple yet powerful portfolio in my TFSA. A portfolio which over the next 27 years (assuming I continue to maximize my contributions) will bring my current TFSA of $46,500 to just over $500,000.

Tax-free



2% Annual inflation rate

$500 Each limit increase

26 Number of years that I will contribute

5.0 Expected annual rate of return

46500 Dollar amount that I will start with

3 Google Finance

And the last tool I have for your $500,000 TFSA is a robust (and FREE!) portfolio tracker. While most online brokers provide great reporting tools (making things easier much easier at tax time, and being aware of your annual returns), it is best practice to have another, independent portfolio tracker. This second tracker serves both as a back-up to any primary tracker you have with your account, but also will provide continuity if you change brokerage accounts.

There are many premium (i.e. fee per month) options, but a great no-cost option is the portfolio tracker at Google Finance. Not as pretty as some of the others (it looks a lot, like, you know, Google), the Google Finance option is more-than-functional. Notably, it is one of the only online portfolio trackers—paid or otherwise—that allows you to:

a) add historical transactions

b) track dividends

c) provides real-time returns

If you are looking for a low fee (free!) online portfolio tracker that allows you to keep track of your adjusted cost base, dividends, splits and weekly/monthly/annual returns (including charts, fun!) you can go wrong with Google portfolios: visit:

https://www.google.ca/finance/portfolio.

And that's it! 3 tools you can use to build a $500,000 TFSA portfolio, adding thousands and thousands of dollars in annual tax-free income to your retirement.

Get started today!