



How to Turn \$100/Month Into \$70,000+ With Royal Bank of Canada Shares

Description

When investing, it's impossible to know for sure how much money you'll make. However, if you make some reasonable assumptions and are willing to be patient, the odds will be on your side.

On that note, below we take a look at what happens if you invest \$100 per month in shares of **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) for 20 years.

Key assumptions

1. RBC's earnings grow at 7% per year (the bank's goal is to grow by at least this much), and dividends grow at the same rate.
2. All dividends are reinvested in new shares.
3. The shares trade at 12 times earnings in 20 years.

So, how much will you have?

In this scenario, your nest egg will grow to \$20,000 in just 10 years. If you do the same thing for another decade, then the total grows to nearly \$75,000, again using the same assumptions.

Think about that. Putting away \$100 per month is not unreasonable for a working professional; it's just a little more than \$3 per day. You can easily save this much money just from bringing your own lunch to the office.

The keys to this strategy

This is just one example that shows the benefits of compounding money for a long time. There are some important things to keep in mind along the way.

First, you have to be patient—this kind of wealth isn't built up overnight. If the share price languishes, that's no reason to bail out. In fact, a sagging share price should be viewed as a good thing, since it allows you to buy more shares with your \$100 investment.

Second, keep in mind that the numbers above don't include fees, which can take a big bite out of your savings over time. Fortunately, there are a number of ways to keep these fees to a minimum. One is to trade less often (perhaps once every six months). It also helps if you don't go through a financial advisor. Finally, it helps if you employ this strategy in a tax-free account, such as a TFSA or RRSP.

Just one hypothetical example

Of course, this is just one example and it's impossible to say which way the stock price will actually move, especially in the near term. You'll also want to hold more than just RBC stock and you may want to mix in some funds as well.

That said, this hypothetical example is only meant to show you how much money you can end up with if you're patient. So, if you're thinking of selling the banks because you're worried about the next six months, you may want to rethink your strategy.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

Category

1. Bank Stocks
2. Investing

Date

2025/07/22

Date Created

2015/03/11

Author

bensinclair

default watermark