

How to Transform \$30 a Week into +\$80,000

Description

I'll let you in on a little secret. Here's how you can transform savings of \$30 a week into more than \$80,000.

Saving \$30 a week translates to saving \$120 a month or \$1,560 a year. Let's say \$1,560 is invested at the end of every year.

Over a period of 20 years, your investment would become \$89,349 assuming a rate of return of 10%. If you can achieve a 10% rate of return, you'll be able to double your money in a little over seven years.

Why assume a 10% return?

A 10% return is near the historical average market return. Some experts say that going forward, the average market return is going to be lower, partly because of lofty valuations.

However, if you invest in individual stocks, you can choose the ones that are priced at better valuations to, hopefully, increase your returns.

Dividends and price appreciation both contribute to your returns. Dividends are sourced from earnings or cash flows, and price appreciation is sourced from growth or multiple expansions due to growth or discounted valuations.

Where can you get 10% returns today?

Firstly, some stocks offer yields of close to 10%. For example, **Slate Office REIT** (TSX:SOT.UN) yields almost 9.5% at \$7.93 per unit, which means it only needs to appreciate a little over 0.5% to achieve that 10% return.

Secondly, some companies offer juicy yields and growth potential. For example, **Brookfield Renewable Partners LP** (TSX:BEP.UN)(NYSE:BEP) yields 5.9% and aims to increase its distribution by 5-9% per year. Indeed, its distribution has grown 6.5% per year on average since 2011. Its distribution per share is 7.2% higher than a year ago.

Thirdly, high-growth companies such as **Walt Disney Co** (NYSE:DIS) are estimated to grow their earnings at a rate of 10% or higher. Specifically for Disney, it trades at a reasonable multiple of 17.5 at under US\$100 per share.

Of course, any dips would make it even more attractive. Disney also offers a growing dividend with an initial yield of 1.4% that'll add to your returns.

Lastly, undervalued stocks such as **Magna International Inc.** (TSX:MG)(NYSE:MGA) can also return 10% or more. Its share price is 31% lower than a year ago.

At about \$48, it trades at a discounted multiple of 7.6. If it traded at its normal multiple tomorrow, it'd be worth \$68 per share, implying an upside of 38%. It also offers a safe yield of 2.7% while you wait for its shares to rise.

Summary

You can transform a weekly savings of \$30 into \$89,349 in 20 years, of which \$31,200 would be your savings and \$58,149 would be from investing. You'll need to achieve a rate of return of 10%.

You can get 10% returns by buying a mix of companies with different income and growth expectations. Typically, the higher the income you receive from an investment, the less growth you should expect from it. Likewise, the lower the income you receive from an investment, the higher growth you should expect from it.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:MGA (Magna International Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:MG (Magna International Inc.)
5. TSX:RPR.UN (Ravelin Properties REIT)

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