



## How Many Years Does it Take to Become a Millionaire?

### Description

Perhaps the most common goal among investors is to make a million. While this aim is very achievable in the long run for even the smallest of investors, it is unlikely to happen in a short space of time. Certainly, there are a number of variables which will affect the length of time it takes, but the most important of them is well within your own control.

### Investment returns

Clearly, the biggest factor affecting the speed at which you move towards a seven figure portfolio is the return on your investments. This can be helped by either timing the market correctly, or picking the right stocks.

In terms of market timing, it can prove challenging to invest at the bottom of the cycle and sell at the top. Doing so requires patience, since it may take an extended period of time before the right moments come along to pile into the market or sell up and walk away. And with the emotions of fear and greed making doing so even more challenging, many investors get it wrong when trying to time it right.

As such, most investors would do better if they concentrated on stock selection when attempting to generate sufficient returns to make a million. Focusing on a company's balance sheet, strategy, management strength, economic moat and valuation can all help to boost investment returns, thereby shortening the time it takes to become a millionaire.

### Differing performance

For example, an investor who is able to match Warren Buffett's annualised return of 21% is likely to become a millionaire in a relatively short space of time. Even using a starting figure of \$1,000 would mean millionaire status would be achieved in less than 37 years. However, few investors will be able to match such a high rate of growth in the long run.

Therefore, it may be prudent to assume a more modest return such as 9.5%, which is the historic total return of the S&P 500 in the last thirty years. Using the same starting amount of \$1,000 would mean it

takes over 76 years to become a millionaire. For most people, this would mean that millionaire status would not be achieved within their lifetime, unless they are able to invest an amount greater than \$1,000 at the outset.

## Improved returns

Therefore, it seems to be vital to invest as much as possible, but to also generate high investment returns. Timing the market is tough since there are a significant number of known unknowns in the short run. However, it is possible to beat the market and generate an annualised return in excess of 9.5%. Doing so will drastically reduce the amount of time it takes to turn the initial investment into seven figures.

Therefore, a company's financial strength, economic moat and valuation are likely to make the biggest difference to your chances of becoming a millionaire. Even starting off with a small amount of money, generating a return above and beyond the wider index could easily make you a millionaire within your working lifetime.

### CATEGORY

1. Investing

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