



Unlock the Greatest Potential for Your Money

Description

Interest rates are low, and five- to 10-year government bonds yield roughly 1.3%. With that kind of long-term time horizon, you can unlock greater potential for your hard-earned dollars by investing in stocks.

Higher returns can make a big difference

If you invest \$5,500 in a Tax-Free Savings Account for 1.3% per year for five years, you would end up with almost \$28,400, of which about \$900 will be growth from your investments and \$27,500 will be from your savings. The total returns of your investments would be about 3.3%.

If you instead invest \$27,500 for 10% per year, you would end up with nearly \$35,500, of which about \$8,000 would be returns from your investments. The total returns of your investments would be about 29%. In other words, this growth would be 8.8 times the amount one would get from investing in long-term government bonds.

The longer the compounding, the bigger the difference

What happens when you invest \$5,500 every year for 10 years with 1.3% annualized returns? You would end up with \$58,700, of which about \$3,700 would be growth from your investments. Your total returns would be about 6.7%.

If you instead invest an annualized return of 10%, you would end up with nearly \$93,900, of which about \$38,900 would be returns from your investments. Your total returns would be about 70%. In other words, this growth would be 10.5 times the amount one would get from investing in long-term government bonds.

What can get you 10% returns?

You could potentially get +10% returns from high-growth stocks such as **Shopify Inc.** ([TSX:SHOP](#))([NYSE:SHOP](#)). Last year alone, the stock climbed about 165%.

If you're not comfortable with growth stocks, you can consider businesses that are backed by real assets. For example, **Brookfield Property Partners LP** ([TSX:BPY.UN](#))(NYSE:BPY) owns a portfolio of quality real estate around the globe.

Its core portfolio is comprised of 269 best-in-class office and retail properties. Additionally, it also has opportunistic investments in multifamily, industrial, hospitality, triple net lease, self-storage, and student-housing assets for higher returns.

The units offer a 5.3% yield thanks to a strong greenback (the shares pay U.S.-denominated distributions). On top of that, management aims to grow its distribution by at 5-8% per year. So, that leads to an approximate annualized return of at least 10%, excluding any potential multiple expansions.

Investor takeaway

Government bonds offer low but guaranteed returns and promise the security of your principal.

Although stocks are riskier than bonds, stocks can unlock a greater potential for your invested dollars by delivering much higher returns in the long run. If you have a long-term horizon, you should consider sprinkling some high-growth stocks or quality dividend-growth stocks in your portfolio to build greater wealth over time.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

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Author

kayng

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