The Fastest Road to Millionaire Status: Growth or Value?

Description

For those investing in public securities, there are a variety of ways to go about making money. The traditional method of investing was to purchase shares in a well-established company that paid dividends on a regular basis with the potential for slow growth in the share price. This was called blue-chip investing and has been practiced by investors seeking a lower level of risk for a very long time.

Over the past few decades, however, investing has been split into two different camps: growth investing and value investing. Although blue-chip investing remains part of value investing, the days of guaranteed profitability "forever" have come to an end, and the term is not used as widely as it once was.

With the emergence of growth investing, the excitement has returned to the stock market, as the chance of very high return in a short period of time has never been so readily available. For investors not in the know, growth investing is buying shares in companies that are experiencing above-average growth in revenues and earnings. There will be higher volatility and a higher expected rate of return to go along with it. The marijuana industry is in this phase of growth.

Investors who have taken the plunge with shares of **Canopy Growth Corp.** (TSX:WEED) over the past year have experienced this upside potential, as the stock has returned more than 105%. Competing firm **MedReleaf Corp.** (TSX:LEAF), which completed the initial public offering (IPO) process in early June of this year has increased by more than 50%.

With such fantastic results, the truth is that growth investors will not be able to achieve these returns every single year. Assuming a return of 20% in four out of five years and a 20% decline every fifth year, the $1 million number can be reached by growth investors in approximately 18 years. In this example, we also assume that the investors is adding in $10,000 in new contributions on an annual basis.

For value investors, however, the same result would take closer to 22 years, as the returns (which include dividends) would be closer to the 15% mark on a much more linear basis. Although shares of all companies, including the most defensive, will correct from time to time, it must be understood that value companies will recover faster and continue to raise their dividends during the most difficult of times.

For investors seeking a name with the potential for consistent returns, which includes dividends and capital appreciation, shares of **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) have performed extremely well in the past. The company, which has the biggest U.S./Canadian footprint of all of Canada's banks, is currently expanding at a rapid pace south of the border. With steady, re-occurring revenues and many segments which will add to the bottom line throughout the business cycle, shares of this Canadian juggernaut may be too good to pass up.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)
3. TSX:WEED (Canopy Growth)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/03
Date Created
2017/11/03
Author
ryangoldsman