How to Get to a $1,000,000 Stock Portfolio

Description

It can be difficult to wrap one's head around a big number. The $1,000,000 figure is just a number. You can replace it with any big or small number if you like.

To make a point with a simpler example, I'll reduce the amount to a more manageable number — $100,000.

There are two essential ingredients to getting to that $100,000 portfolio:

- How much you invest every month, and
- The rate of return you get.

I say, "every month" instead of "every year," because it's easier for most people to try to save every month instead of coming up with a sum of money at the end of the year.

Financial institutions make pre-authorized contributions to TFSAs and RRSPs easily available to investors. Investors can choose from contributing weekly, biweekly, semi-monthly, monthly, quarterly, semi-annually or annually. You can start with contributing as little as $25 each time.

The more you save, the faster you'll get to $100,000

If you save $500 a month and stash it in a safe, it'll take 16 years and nine months to save up

$100,000. If you double that to $1,000 a month, it'll still take eight years and three months to get to $100,000.

That sounds like a long time. To get to $100,000 quicker, you can either save even more, or, more realistically, invest your savings to get your money to work hard for you.

Invest for a reasonable return

If I were starting a portfolio today with the knowledge and experience I have, I would buy some quality utilities as a starting point, given that they offer stability for the portfolio, decent dividends to secure returns, and steady growth.

Higher interest rates have triggered the utilities to dip lately, which makes the companies more attractive long-term investments. In fact, some have already rebounded.

Ones that remain attractive today include **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Canadian Utilities Limited** (TSX:CU), which should be able to deliver reasonable rates of return of at least ~8% per year from their current levels.

Their safe dividends secure a ~4% return. So, the companies only need to grow 4% per year to achieve that ~8% rate of return.

If you invest $500 a month and get an 8% rate of return, it'll take 10 years to get to $100,000. (This is six years and nine months sooner than just stashing the cash in a safe.)

Two notable points

It'll take a shorter time — 40% less time (or only six more years) to get to the next $100,000 if you keep doing the same thing (i.e., investing $6,000 a year for 8% per year, and letting your original $100,000 portfolio to grow 8% per year).

The more challenging part is to find quality companies that are at good valuations when you have the money available to invest. You can source your ideas from Motley Fool.

Investor takeaway

It's time in the market that counts. Invest early in great dividend-growth companies at good valuations, and watch your portfolio grow to $100,000, then $200,000, and eventually to $1,000,000 and more!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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