

How Long Will it Take to Double Your Money?

Description

Speculative stocks may have underlying businesses that have little to no earnings or cash flow generation. There's great risk in investing in these stocks, because they have wide price fluctuations. Investors buy and hope to make huge gains in a relatively short time.

Speculative investment aside, there is a surer and safer way to double your money — invest in stable businesses that offer decent and growing dividends. Here are two such stocks for your consideration today.

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) is one of the largest owners and operators of a quality portfolio of infrastructure networks in the world.

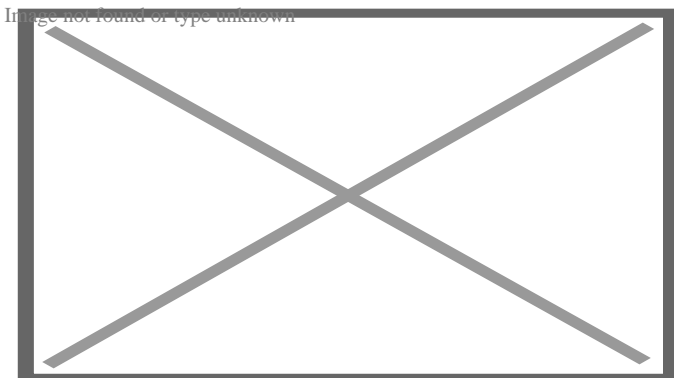
Since the stock was spun off from **Brookfield Asset Management Inc.** in 2008, Brookfield Infrastructure has delivered compounded annual total returns of about 15%.

Management aims to generate long-term returns of 12-15% and to increase its distribution per unit by 5-9% per year. With its track record of excellent returns and value investing approach, which involves selling mature assets and reinvesting proceeds into higher-return opportunities, it's likely that BIP stock will achieve the 12-15% return.

Using the rule of 72, and assuming the low end of 12% for the total return, an investment today is approximated to double in six years, as calculated by 72 divided by 12.

Since Brookfield Infrastructure reports in U.S. dollars, analysts from **Thomson Reuters Corp.** have a 12-month mean target of US\$46.10 per unit on the stock.

This represents near-term upside potential of about 19% from the recent quotation of about US\$38.70 per unit. This could mean that the stock is undervalued.



National Bank of Canada ([TSX:NA](#)) stock has done well as a long-term investment. A purchase before the financial crisis of 2008/2009 has delivered compounded annual total returns of about 11%.

The sixth-largest bank in Canada is trading at a multiple that's in line with its long-term normal multiple. At about \$64.30 per share, National Bank trades at a multiple of about 11.

However, Reuters analysts estimate the bank will grow its earnings per share by 12.3% per year for the next three to five years. If so, the stock is trading at a cheap multiple for long-term investment.

Let's be more conservative and say that the bank might deliver returns of about 10% instead for the next few years. Using the rule of 72, an investment today is approximated to double in 7.2 years, as calculated by 72 divided by 10.

Reuters analysts have a 12-month mean target of US\$68.10 per share on the stock. This represents near-term upside potential of about 6% from the recent quotation. This could mean that the stock is reasonably valued.

Investor takeaway

Investing in stocks such as Brookfield Infrastructure and National Bank is a surer way to double your money over time, because these stocks offer [safe dividends](#). So, instead of getting all potential returns solely from [price appreciation](#) (as you would for speculative investments), you will get a good portion of returns from dividends.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:NA (National Bank of Canada)

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