Millennials: 2 Small-Cap Stocks to Help You Retire Rich

Description

As a millennial, you've got time on your side when it comes to investing. And while older generations may have substantially more wealth in their pockets, you've got decades worth of tax-free compounding that can enable you to not only retire wealthy, but also early, as so many young folks in the FIRE (financial independence, retire early) movement have.

You're young, so you can afford to take on more risk to get more reward, but what you can't afford to do is speculate on securities based solely on momentum. Proceeds in your TFSA should be invested in the stocks of businesses you plan to own for 5, 10, even 20 or 30 years at a time. Preferably, you should own small-cap growth stocks with the potential to become major multi-baggers.

Such smaller-cap names will be subject to more volatility, and you wouldn't catch your parents investing in such stocks, but as a young investor who can ride it out, there's no better way to give your future self an edge than by betting on promising up-and-comers that have the potential to swell your portfolio.

So, without further ado, consider the following four Canadian small-cap gems:

Cargojet (TSX:CJT)

Here's a high-growth king with a dominant position in Canada's overnight shipping market that's also a play on the continued growth in Canadian e-commerce.

The company has a heck of a moat for a company with a market cap of just north of $1 billion. Cargojet's unique operational expertise and its expensive fleet of high-payload aircraft are the two main building blocks of the company's moat. It's these components that make the company relatively insulated from other up-and-comers who may be hungry to steal share in Cargojet's hot market.

Both the startup costs and operating risks involved with running a fleet of multi-million dollar cargo aircraft are just too high. These are major reasons why Cargojet will continue to enjoy the feast of the Canadian cargo services market primarily to itself as the demand for timely cross-country shipments continues to soar.

Park Lawn (TSX:PLC)

Park Lawn is probably one of the most unique stocks in North America. It's the only publicly traded death care player in Canada, but more intriguingly, it's one of the fastest-growing death plays in North America, with its prudent M&A strategy that aims to consolidate an industry that's ridiculously fragmented.

Like other high growth consolidators, Park Lawn can get the most of its expertise by extracting synergies from the acquisitions, resulting in a "1 + 1 = 3" scenario. Unlike many other M&A players, however, Park Lawn is proceeding prudently and is not willing to compromise its balance sheet by raising excessive amounts of debt. It's this prudence that will allow Park Lawn to be a robust growth player that will be able to withstand the worst of economic downturns.

Foolish takeaway

Cargojet is a five-bagger over the past five years, and Park Lawn was a modest two-bagger at its peak. Given each company's compelling long-term growth stories, I'd say the best days may be ahead of both companies when you consider that each will continue to benefit from strong secular tailwinds over the next decade.

For Cargojet, the continued rise of e-commerce will propel the stock to new heights. And as for Park Lawn, the company is slated to benefit from a generational surge in demand for its services as the Baby Boomer generation approached old age.

Stay hungry. Stay Foolish.

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