Millennials: How to Get to $1,000,000 by Retirement

Description

The earlier you start saving and investing, the better off your portfolio will be in the long term, as you'll have an opportunity to earn more capital appreciation and dividend income along the way. If you're a millennial, then you're probably looking at around 35 years until retirement (depending on where you fall in the age group and assuming you retire at 65), which gives you a lot of time.

In this scenario, I'll keep it simple and assume everything is invested in **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). You can be more aggressive with your investment to try and accelerate your portfolio's returns, but this is a good, safe stock that can help you grow your portfolio's value over time.

The key to maximizing long-term growth, for a conservative investment, is having a stock that can grow in value while also paying and increasing a dividend over the years as well. In five years, TD's stock has grown around 46%, which equates to a compounded annual growth rate (CAGR) of 7.9%, which is a good return that doesn't seem too optimistic.

If we look at the bank's dividend, in five years, payouts have risen from $0.47 every quarter up to $0.74 for an increase of 57% and a CAGR of 9.5%.

It's important to note this is just how TD's stock and its dividends have grown over the years and that it's not a guarantee that it'll have the same success or growth going forward. However, with these assumptions, we can build a scenario to see how our portfolio would grow over time.

Based on TD's growth, I estimate that with 35 years of investing years remaining, an investor would need about $43,000 to put into TD stock today to reach $1 million. That's no small feat in today's world, but the older you get, the higher that number would need to be.

Having a starting portfolio value of $43,000, growing at an average of 7.9% per year would mean that by age 65, it would be valued at just over $608,000. As you can see, even with a very good growth rate, that alone would not get your portfolio to the $1 million mark. That's where's dividend income can bridge the gap. Assuming dividends continue growing at 9.5% per year, you could earn around $411,000 from just collecting quarterly payouts.

Here’s a summary of what the yearly totals would look like:

Age	Year	Portfolio	Annual Dividend
30	1	$46,380.88	$1,697.75
31	2	$50,027.59	$1,859.09
32	3	$53,961.02	$2,035.76
33	4	$58,203.72	$2,229.22
34	5	$62,780.00	$2,441.07
35	6	$67,716.09	$2,673.05
36	7	$73,040.28	$2,927.07
37	8	$78,783.09	$3,205.24
38	9	$84,977.43	$3,509.84
39	10	$91,658.80	$3,843.38
40	11	$98,865.49	$4,208.63
41	12	$106,638.81	$4,608.58
42	13	$115,023.32	$5,046.54
43	14	$124,067.05	$5,526.12
44	15	$133,821.85	$6,051.28
45	16	$144,343.62	$6,626.35
46	17	$155,692.67	$7,256.06
47	18	$167,934.04	$7,945.62
48	19	$181,137.89	$8,700.71
49	20	$195,379.90	$9,527.55
50	21	$210,741.69	$10,432.97
51	22	$227,311.30	$11,424.44
52	23	$245,183.70	$12,510.12
53	24	$264,461.32	$13,698.99
54	25	$285,254.65	$15,000.83
55	26	$307,682.86	$16,426.38
56	27	$331,874.49	$17,987.41
57	28	$357,968.20	$19,696.79
58	29	$386,113.53	$21,568.62
59	30	$416,471.79	$23,618.32
60	31	$449,216.98	$25,862.82
61	32	$484,536.76	$28,320.61
62	33	$522,633.57	$31,011.97
63	34	$563,725.75	$33,959.10
64	35	$608,048.81	$37,186.30

TOTAL	**$608,048.81**	**$410,624.57**

Bottom line

With your shares being potentially worth $608,049 and dividend income of $410,625, your total portfolio value would come in at a $1,018,673. While the dividend payments may seem high, they don't take into account the time value of money and are still in today's dollars.

This is just a hypothetical scenario; these numbers would be impacted by a variety of different factors and there'd be fluctuations along the way. However, the point is to show that with a conservative strategy of selecting a bank stock to invest in, it's possible to achieve significant growth over the long term. The other important takeaway from this is that as impressive as the dividend income is, it doesn't come close to the income earned from capital appreciation.

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