



How to Turn \$50,000 Into \$1,000,000!

Description

If you're looking to grow your portfolio and don't want to take on big risks, the good news is that the more time you have to invest, the more of an opportunity you'll have to generate some significant long-term returns. Investing in a good, growing stock is one of the best ways to maximize your returns. And while you may think a tech or marijuana stock might be the solution, the problem is that those industries will change years from now and the big players today might not be the big ones tomorrow.

However, one industry that's unlikely to see a lot of movement is banking. **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is the biggest bank stock on the TSX, and it's a fairly [safe bet](#) to say that it'll remain among the market leaders, even decades from now. And that makes it a great stock to hold for years because investors can expect that sales and profits will continue to rise right along with the economy. While there might be bumps along the way, over the long term, its trajectory is going to remain strong.

In five years, RBC's stock has risen by more than 45%, and over 10 years, its return has reached 145%. Those are some good long-term growth rates.

If we are conservative and look at just the past five years, then we can say RBC has grown at an average compounded annual growth rate (CAGR) of about 7.9%. On top of that, the bank also pays a great dividend that's currently yielding 3.8%. Payouts have also increased over the years, and in five years, RBC's dividend payments have grown by 44% for a CAGR of 7.5%, slightly less than the stock's average returns.

What's great about RBC stock is that your portfolio will benefit from rising dividends as well as an increasing share price. It allows you to benefit from both and not have to be overly dependent on a dividend or a rate of growth that might fizzle out.

Sample scenario

If we were to assume that these growth rates will continue, that the dividend will grow at approximately 7.5%, and that the stock will rise at about 7.9% every year, then it would take roughly 35 years for an

investment of \$50,000 to grow to \$1,000,000. Here's what the portfolio value and dividends might look like:

Year	Portfolio	Annual Dividend
1	\$53,934.22	\$1,906.90
2	\$58,177.99	\$ 2,050.20
3	\$62,755.69	\$2,204.27
4	\$67,693.58	\$2,369.91
5	\$73,020.00	\$2,548.01
6	\$78,765.53	\$2,739.49
7	\$84,963.14	\$2,945.36
8	\$91,648.41	\$3,166.69
9	\$98,859.70	\$3,404.67
10	\$106,638.41	\$3,660.52
11	\$115,029.18	\$3,935.60
12	\$124,080.17	\$4,231.36
13	\$133,843.33	\$4,549.34
14	\$144,374.71	\$4,891.21
15	\$155,734.73	\$5,258.78
16	\$167,988.61	\$5,653.96
17	\$181,206.68	\$ 6,078.85
18	\$195,464.81	\$ 6,535.66
19	\$210,844.82	\$7,026.81
20	\$227,435.00	\$7,554.86
21	\$245,330.57	\$8,122.60
22	\$264,634.24	\$8,733.00
23	\$285,456.80	\$9,389.26
24	\$307,917.78	\$10,094.85
25	\$332,146.08	\$10,853.46
26	\$358,280.76	\$11,669.08
27	\$386,471.84	\$12,545.99
28	\$416,881.11	\$13,488.80
29	\$449,683.12	\$14,502.46

30	\$485,066.13	\$5,592.30
31	\$523,233.23	\$16,764.03
32	\$564,403.48	\$18,023.82
33	\$608,813.18	\$19,378.28
34	\$656,717.23	\$20,834.53

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The share increase would have the biggest impact on the overall portfolio. However, dividend income totalling nearly \$300,000 would also add a fair bit of income as well. Under this scenario, you could start investing in the year you turn 30 and have achieved this target by the time you hit 65.

It's important for investors to remember that this is just an example that may not pan out. There are many factors that will impact these assumptions. Dividends are not guaranteed to grow, nor is the stock a sure thing to continue rising at more than 7% per year. The moral of the story is what's important, and that's that even investing in a boring old [bank stock](#) like RBC could generate a lot of wealth for you in the long term.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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