



How to Turn \$5,000 Into \$100,000

Description

When it comes to investing, having more to put towards your portfolio is definitely better. However, just because you don't have the contribution limit of a Tax-Free Savings Account (TFSA) ready and available to put away doesn't mean you shouldn't be investing at all.

So having something like \$5,000 may not seem like a lot, but if you have 20 years to put one stock away, there's a lot that can happen in that time, even if you don't add a single dime after your initial contribution.

All you have to do as an investor is plenty of research before choosing your investment. A great option I would consider is **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)). The stock hit headlines a few months back as celebrity investor Warren Buffett reconfirmed a 0.7% stake in the company.

The stock price remains undervalued, with analysts putting its fair value around \$47 per share, instead of where it trades at about \$37.50 as of writing for a 25% [potential upside](#).

Warren Buffett clearly sees the potential this stock has to rise again, and not only because of a recession that will eventually come and go, and the oil and gas industry on decline. Despite the oil and gas industry, Suncor's diversified business model was able to pick up the slack, generating strong cash flow recently from higher production and its strong downstream assets.

During the latest quarter, operating profit actually increased by 5%, with net profit up to \$2.7 billion from \$972 million last year.

Suncor's refining and retail business are also what make this stock great. Even during times of weak oil prices, these areas remain strong as there are lower input costs. Then, when oil prices rally, the company's long-term contracts generate the free cash flow that investors have come to enjoy. Especially through the company's 4.42% [dividend yield](#), which was just raised by 17% for 2019.

All of this strength has actually led Suncor to even buy back stocks during a time when its peers have been struggling to get by. In fact, in the second quarter Suncor announced it returned about 40% of funds from operations (FFO) to shareholders through dividends and share repurchases. Its next target

is now 50%, which was music to potential investors’ ears.

So if we take a conservative view, putting \$5,000 away with dividends reinvested, let’s see how long it would take to reach that \$100,000 point.

Year	Portf
1	\$5,7
2	\$6,6
3	\$7,8
4	\$9,1
5	\$10,7
6	\$12,7
7	\$15,1
8	\$18,0
9	\$21,7
10	\$26,211.84
11	\$31,836.99
12	\$38,897.57
13	\$47,813.68
14	\$59,143.46
15	\$73,633.26
16	\$92,287.76
17	\$116,468.72

As you can see, it would take you just under 17 years to reach that \$100,000 mark — that’s with a conservative estimate of growth in that time. Suncor shares have grown 525% in the last 20 years, but I’ve estimated yearly growth of 3% per year just to be on the safe side.

As well, I’ve taken the low end of the dividend increases, with 7% increase per year, which doesn’t include the potential for share buybacks.

All in all, this gives you a conservative, though rough, estimate of how long you would need to hold on to Suncor to reach that \$100,000 goal, with only \$5,000 to invest. Likely, it would be a lot sooner than 17 years.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/09/15

Date Created

2019/08/19

Author

alegategwolfe

default watermark

default watermark