Investing at 50: How to Get to $1,000,000 by Retirement

Description

Investing is always a good idea, even if you don't have many investing years left until retirement. There are three factors that will ultimately impact your overall savings: the amount of money you have to start investing today, the number of years left, and the level of risk you're willing to take on.

If the number of years is insufficient to grow your portfolio, then you could try and make up for that by investing more money or taking on a bit more risk. However, I'm going to assume that in the vast majority of cases, investors can't simply just increase their level of investment overnight.

That leaves the level of risk as the factor that you could most likely adjust to help to try and improve your overall returns. However, that doesn't mean you have to invest in penny stocks or ultra-high-risk investments. Instead, I'm talking about choosing growth stocks to help get your portfolio to your desired goal rather than investing in dividend stocks.

Why growth stocks could be the better option

While dividend stocks may be a good way to slowly grow your portfolio over the years, growth stocks can provide double-digit returns if you've found a winner. That may be easier said than done, but that's where the risk comes in. Consider a stock like **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS), which has been one of the top growth stocks on the TSX in recent years.

The stock has generated some terrific returns since its IPO, but it has had some pretty big bumps along the way as well. From January through until the end of July, the stock had risen by a modest 3.7%. However, that includes a very steep decline after a bad quarter sent the stock reeling. In 2018, Canada Goose stock soared a whopping 50%.

As you can see, there can be a lot of volatility in your portfolio from one year to the next. That's the risk with growth stocks, but a good stock like Canada Goose is still a good bet to rise in value over the long term.

Let's take a look at how investing in a growth stock could help get you closer to your retirement goal.

A sample model

If you have at least $100,000 to invest in today, and a growth stock like Canada Goose were to even average returns of 17% per year, you could hit the $1,000,000 mark by the end of age 64:

Age	Year	Portfolio
50	1	$117,000.00
51	2	$136,890.00
52	3	$160,161.30
53	4	$187,388.72
54	5	$219,244.80
55	6	$256,516.42
56	7	$300,124.21
57	8	$351,145.33
58	9	$410,840.03
59	10	$480,682.84
60	11	$562,398.92
61	12	$658,006.74
62	13	$769,867.88
63	14	$900,745.42
64	15	$1,053,872.15

To earn a 17% return on average is by no means a guarantee, even if you do find a good growth stock. While Canada Goose could be a good investment today, in all likelihood, you may need to swap it out for another growth stock at a later point in time. As good as Canada Goose stock may be, I wouldn't assume it will be a lock to produce 17% returns every year.

That's where it'll be important to re-evaluate every year which growth stock may provide the most potential or which industry might provide the best option for investors.

However, as you can see from the above table, taking on some risk could be a way to help accelerate your returns. A good compromise could also be to find a dividend stock that pays a high yield and that can provide a decent return as well.

Bottom line

There are many paths that you can take, and knowing what kind of return you're going to need to be aiming for is one way to at least help point you in the right direction.

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