Young Investors: How to Make $500,000 With Only $20 Per Week

Description

Want to make $500,000? All you need is $20 per week. This sounds like an impossible feat, but the math is easy. The hard part is a secret ingredient that only young investors have: time.

While most investors fret over which investments they should own, young investors should fear not taking advantage of their time — not just in living life to the fullest, but to capitalize on the magic of compound interest. Einstein once called compound interest “the eighth wonder of the world.” If you want to get rich, take advantage of its powers.

For example, investing just $20 per week would allow you to save $1,040 per year. After 40 years, you would have saved $41,600. That’s hardly enough to retire on, but that’s where the magic of compound interest comes in. If that money earned 10% per year, your $41,600 in invested capital would have actually grown to roughly $500,000! That’s an incredible return on your money.

Getting to $500,000 doesn’t require a huge amount of capital, nor does it rely on you beating the market for decades straight. All you need is time. In the previous example, instead of investing $20 a week for 40 years, what if you only invested $20 for 20 years? That’s half the amount of time, but your nest egg would be worth just $60,000. That’s a huge hit! That’s how important time is.

How to start

The most important thing you can do is start today. But what exactly should you be starting? Instead of worrying about which investments you’ll choose, begin by establishing automatic investment contributions. If time is your secret ingredient, automatic investing is your secret weapon.

Today, most Canadians save money on an irregular basis. That is, whenever they feel like it. Weeks, months, or ever years can go by between contributions. When was the last time you contributed to your investment account? When was the last time before that? How consistent have you been? The answers to these questions may surprise you. I’ve met many investors who believe they’re contributing on a regular basis, but in reality, they only deposit new money a few times per year.

Most financial institutions allow you to establish automatic transactions. For example, you can have $20 withdrawn from your bank account each week and deposited into your TFSA. As I wrote earlier this year, “Nearly all research has shown that this simple trick will considerably boost how much money you’re stashing away.”

Where to invest

Only move onto this step when you have automatic contributions established. It doesn’t matter if it’s $20 per week or $100 per month; the critical thing is to get to process in place. From there, all you have to do is decide how the money is invested and wait. Waiting is self-explanatory, but where should you be investing?

If you’re young, you can take advantage of volatility and invest in hyper-growth segments of the market. These stocks can swing wildly, but if you have a few decades to spare, the end result is often too lucrative to pass up. The cannabis industry is a perfect example. In 2019, many pot stocks have declined by more than 50%, but despite the steep drop-off, many companies have still doubled or tripled in value over the last few years.

If you’re willing to stomach the ups and downs, the pot industry is an ideal place to invest for young investors with a long-term outlook. Companies like **Cronos Group** are building the infrastructure necessary to capitalize on this emerging $200 billion opportunity. In 2020, Cronos is expected to increase sales by 250%. That should be a common occurrence for many pot stocks.

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