



## Young Investors: How to Become a Millionaire With \$25 a Week

### Description

Want to become a millionaire? All you need is \$25. Well, you actually need one other thing: time.

Many investors believe you need to save a bunch of money to [retire rich](#). That's true in many situations, but if you're young, you don't need to save much at all. That's because you can harness the magic of compound interest.

Albert Einstein called compound interest the most powerful force in the world. If you do a little math, it's easy to see why.

If you invest \$25 per week, you'll end up saving \$1,300 every year. Over a decade, you'll stash away \$13,000. Over a 40-year time frame, the sum adds up to \$52,000.

Here's the catch: over those periods, your contributions will also be earning interest. This interest, when it accumulates over time, is called compound interest.

Let's say your money grows at a 10% annual rate. Many stocks can help you achieve that rate of return. Canadian companies like **Fairfax Financial Holdings**, **Enbridge**, and **Chemtrade Logistics Income Fund** have compounded shareholder capital at double-digit rates for decades.

If you save \$25 per week and earn an annual return of 10%, you'll have roughly \$1,370 at the end of 12 months. So, you earned \$70 off your cumulative \$1,300 investment. But what if you kept this up for a decade straight?

Investing \$25 per week for 10 years at a 10% interest rate results in a final sum of \$22,350. By contributing \$13,000 in cash, you earned nearly \$10,000 in profit. Not bad.

Here's where the magic of compound interest comes in. If you're young, you may have the opportunity to invest your capital for several decades. That's may seem like an eternity, but if you have the time, it's your best tool to become a millionaire.

Let's still assume you're investing \$25 every week at a 10% interest rate. Your cash contributions will

total just \$52,000 after 40 years, but the end value of your portfolio will be a whopping \$700,000! That's a \$648,000 profit. To reach \$1 million in value, you only need to keep that money invested for another 48 months.

## How to go even faster

The secret is simple: keep investing regular amounts of money over long periods of time, even if the weekly sum is fairly low. Just \$25 per week can make you a millionaire after 44 years. But what if you don't want to wait 44 years? You have two options: increase your weekly contribution or boost your annual return.

Increasing your weekly contribution is easy. Let's still assume you're earning 10% annual interest, but instead of saving \$25 per week, you double it to \$50 per week. That's still not a gigantic sum, but it makes a big difference. At \$25 per week, it took 44 years to become a millionaire. At \$50 per week, you'll become a millionaire after just 37 years.

Note that all this math assumes you're starting at \$0 in savings. If you already have some money stashed away, you can likely chop many more years off that time horizon.

Adding just a bit more interest can make a big difference as well. Again, saving \$25 per week at a 10% rate of return makes you a million after 44 years. But what if you earned 12% every year? At this rate, you'll become a millionaire after just 38 years. A 2% difference in return lops six years off your time horizon.

Any bit of extra performance can go a long way, but to achieve good results, you need to fill your portfolio with wealth-generating stocks that can deliver for decades at a time, through age 50 and beyond. These stocks aren't easy to find, but a bit of work to find them can make a huge difference in your financial life.

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