How to Transform $5,000 Into $30,000!

Description

Got $5,000? How would you like to turn it into $30,000? It’s actually quite simple. But don’t confuse simple with easy. If you want to perform this magic trick, it will take both effort and diligence.

The first step is to understand the few factors that control how quickly your money grows.

default watermark

Limited variables

What makes money grow? Only a few numbers matter.

The first, of course, is how much money you originally invest. In this case it’s simple: $5,000. The second number is similar.

Instead of how much money you invest at the start, it’s how much money you’ll continue to invest. Are you continuing to invest $100 a month, $5,000 every year or nothing at all?

The final two numbers are trickier.

The first is your rate of return. Money that grows at 10% per year will outpace money that grows at 8% per year. While that gap may not seem that large, over long stretches of time, the difference can be enormous.

That leads us to our final number, one that doesn’t get much attention: time. The longer you have your money invested, the more time it has to compound in value.

In your control

The critical task before you is to optimize the numbers in your control. In addition to your starting balance of $5,000, how much can you commit to investing every month?

The most important thing here is to make it a number higher than zero. Build a habit of contributing on a regular basis, even if it's as low as $25 per week.

Time is the other factor that is most in your control. Here's a powerful example.

Let's say you start with $5,000 and commit to investing an additional $100 every month. If you earn a 10% rate of return, how long will it take to reach $15,000? Around five years.

How much longer would it take to reach $30,000? Just four years.

In the first five years, you increased the value of your portfolio by $10,000. It only took an additional four years to earn the next $15,000.

Compound interest means that the longer your money is invested, the faster it grows. Giving your money more time to grow is your best tool for financial success.

Choosing your risk

In the previous example, we assumed a 10% rate of return. Reliable dividend stocks like **Royal Bank of Canada** (TSX:RY)(NYSE:RY) have been posting similar returns for more than a decade.

default watermark

But what if you wanted to boost your annual returns to 20% or higher? What effect would that have on your path to reaching $30,000?

Let's use the same example. Start with $5,000 and stash away an additional $100 every month. If you earned 10% per year, you'd reach $30,000 after nine years.

With a return of 20% per year, however, you'd reach $30,000 after just seven years. That's two years of precious life saved.

How can you achieve 20% annual rates of return? You'll need to find growth stocks like **Shopify Inc.** (TSX:SHOP)(NASDAQ: SHOP).

If you invested $5,000 into Shopify stock in 2016, you would have reached $30,000 in just *two years*. That's the power of early-stage growth stocks.

Your regular contributions and time invested are still your greatest tools, but as the Shopify example proves, loading up your portfolio with promising growth companies can be incredibly powerful.

CATEGORY

1. Bank Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:RY (Royal Bank of Canada)

4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Investing
3. Tech Stocks

Date
2025/08/26
Date Created
2019/12/10
Author
rvanzo

default watermark

default watermark