



New Investors: How to Get a \$1 Million Portfolio Starting With Just \$5,000 Today

Description

For those investors who are just starting out or thinking about starting out, investing may seem like it's not worth it because you don't have a whole lot of funds to invest.

However, starting with a small amount, even as low as \$5,000 can set a nice foundation for you to add and contribute to going forward, which will one day grow into a small fortune.

If you start with just \$5,000 today and invest it in a registered account, like the [Tax-Free Savings Account](#) (TFSA), and contribute only \$500 a month, which adds up to \$6,000 a year, within 10 years you will have saved \$65,000.

What you will soon find is that compound interest will be your best friend. When you realize just how much compound interest will help you, it's clear that starting as early as possible and saving as much as you can are two of the main factors that play into how much money you can make over your lifetime.

In today's example, we will analyze how much you could make if you were able to manage just an 8% compounded annual growth rate (CAGR) in your portfolio, which isn't too difficult to achieve by any stretch, especially over the long run.

An 8% CAGR over the 10 years that you were saving that \$6,000 a year in a registered account, would leave you with a portfolio value of more than \$100,000 on that \$65,000 of contributions.

It's worth noting that this is considering you contribute \$500 monthly, as waiting to do it once a year and contributing \$6,000 yearly, although you would have saved the same, the compound interest would only yield you a portfolio value of less than \$98,000.

Going forward, if you continue to contribute that \$500 a month for 20 more years, 30 in total, at the same 8% long-term rate, your portfolio would have a value of over \$750,000.

In total it would take you just over 33 years to amass a portfolio of \$1 million, if you start today, save \$6,000 a year and invest for the [long-term](#) with a goal of earning just 8% a year.

One stock that yields more than 8% a year and has capital appreciation potential as well is **Chesswood Group Ltd** ([TSX:CHW](#)).

Chesswood is a great stock for those investors looking to boost their portfolio with income. The company is engaged in small business financing and equipment leasing across North America but predominantly in the United States.

The company has been expanding the markets it serves to include Canada in addition to all of the lower 48 states in America, but also to various segments of the market such as the subprime borrowers.

The stock, operating in what many view to be a bit of a higher-risk industry, is extremely undervalued, and because it pays out a lot of what it makes, has an incredibly attractive dividend yield.

For a company that's been expanding its operations and growing its potential loan book, the stock is extremely cheap at just an 11 times price to earnings.

While this cheap valuation is a reflection of what investors see as a potentially risky business, Chesswood has proven to be a world-class lender, building a highly resilient portfolio.

Currently, its annual dividend pays out \$0.84 a year, which at just over \$10.00 a share offers investors an 8.3% yield today; at a sustainable payout ratio of 95%, it's an ideal stock to hold for the long term.

One thing to keep in mind is that you only have to average 8% annually over the long run, and you won't be able to achieve this every year. It's important to keep this in mind so you don't do anything rash trying to achieve the 8% late in the year if you're nowhere near hitting your target.

It's much more important to be focused on your long-term goal and ensure that your portfolio is always optimized for what may be coming next.

Your stocks don't all have to yield a large amount either; for example, if you owned a growth stock that grew 10%-15% a year, that growth would be incredible.

However, it's much easier to find a high-quality dividend stock that grows its dividends alongside its share price in order to provide you with the optimal long-term returns you're seeking.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:CHW (Chesswood Group)

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