2 Ways to Turn $10,000 Into $1 Million

Description

A million dollars isn't what it used to be. Today, a single million is barely enough to buy a house in the country's largest cities or sustain living expenses through retirement. Yet reaching this arbitrary milestone is a sign you're doing better than most savers and are on the path to genuine financial freedom.

If you're trying to reach this milestone based on investments alone, remember that there's no quick and easy way to reach six figures if you're only starting off with $10,000 in capital. With that in mind, here are two slow ways to multiply your capital 100-fold before retirement.

The slow way

Investing in stable growth stocks at reasonable prices is a time-tested strategy to create wealth over time.

Growth stocks are usually companies that have massive margins, innovative products, successful acquisition frameworks or a massive market opportunity. Take **Constellation Software** as an example. The stock has delivered a 3,232% return over the past 10 years. That's an annualized growth rate of 41.8%. At that rate, the stock could turn $10,000 into $1 million within 13 years, well before retirement, even if you're in your 50s.

While it is difficult to predict a long-term growth rate for any individual stock, investors should probably focus on aggressive growth companies that are targeting double-digit returns over the long term, like **Shopify** and **WELL Health Technologies**.

Tech companies aren't alone in their hunt for growth. Money manager **Brookfield Asset Management** and loan provider **goeasy** both target double-digit annual growth, along with plenty of other non-tech companies.

An annual growth rate higher than 26% should deliver a 100-fold return in fewer than 20 years, which should lead to a comfortably early retirement for most investors.

The slower way

Of course, betting on aggressive growth stocks and innovative technology companies isn't for everyone. Some investors would rather focus on stable and predictable companies that are unlikely to lose money over the long term, even if their total returns are somewhat mediocre.

For most investors, this is a perfectly suitable strategy. The only downside is that a 100-fold return could take much longer.

The **S&P TSX 60 Index Fund** is probably the safest bet you can hope for. This passive fund simply tracks the performance of the largest companies listed on the Toronto Stock Exchange. In other words, it's a long-term bet on the Canadian economy.

Over the past decade, this index has delivered a 7% yearly return. At that pace, it would take 68 years to turn $10,000 into $1 million. That's unrealistically long.

Simply by adding $2,500 in additional investments every year, you can reach this goal within 45 years. That means an investor who starts in their 20s could be a millionaire before retirement.

Bottom line

The point I'm trying to make is that turning $10,000 into a million is certainly practical for most investors. The question, however, is whether you have a long enough time horizon or risk tolerance required to achieve a 100-fold return.

For patient investors willing to do the research on growth stocks, there seems to be plenty of opportunity.

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