



## \$30,000 in These 2 Stocks Is All You Need to Retire in 20 years

### Description

Lack of capital is probably the biggest hurdle for most savers. Regardless of the rental yield or dividend yield on your investments, you can't generate enough passive income to retire if you don't have a large enough asset base.

If you're starting off with very little and have only a couple of decades before you retire, the best strategy is to focus on aggressive growth stocks with a track record of above-average returns. Here are two (well-known) stocks that could turn \$30,000 into \$1 million in less than 20 years.

### Descartes

Logistics software provider **Descartes Systems Group** ([TSX:DSG](#))(NASDAQ:DSG) is probably one of the most consistent performers on the Canadian stock market.

The stock has been steadily appreciating ever since the dot-com bust of 2001. Over the past 10 years it's up 10-fold, implying a 25.9% annual growth rate.

With the [steady expansion in global ecommerce sales](#), there's no reason to believe demand for Descartes' software from freight companies, manufacturers, distributors, or online retailers is likely to slow down anytime soon.

The company raised USD \$245 million in equity capital last year to fund growth opportunities and acquisitions.

The team expects its earnings to expand at a steady annual rate of 19.7% over the next five years, driven by acquisitions and new customers. At that pace, the stock could deliver another 10-fold jump within 13 years.

A defensible competitive advantage, recurring revenue model and track-record of steady expansion make Descartes one of the most promising growth stocks on the Canadian market.

## Constellation Software

Like Descartes, **Constellation Software** ([TSX:CSU](#)) benefits from fat margins and recurring revenue. Unlike Descartes, however, the company is well diversified beyond a single software vertical.

At the moment, the holding company's portfolio includes hundreds of niche software makers that support businesses ranging from mining to bio-sciences.

That gives the company exposure to the entire enterprise software ecosystem across various industries. It also gives it an unprecedented scope for expansion through acquisitions. In other words, the business model has steady double-digit growth baked into it.

Over the past 20 years, the annual compounded growth rate of Constellation's net worth has been between 25% to 35%. Assuming the compounded growth rate over the next few decades could be lower, perhaps at 20%, isn't beyond the realm of possibility.

The demand for enterprise software is unlikely to subside anytime soon, which means Constellation has the potential to grow at nearly the same rate as Descartes for the next 20 years.

## Combined portfolio

While Descartes and Constellation Software may not grow at the same pace as they have over the past two decades, even a lower growth rate could deliver stunning returns over the next two decades.

If you split \$30,000 equally in these two stocks, you could expect a 20% compounded annual return over time. At that rate, your portfolio could be worth \$1.05 million within 20 years.

Regardless of whether you think a million dollars is enough to retire on, my point with this analysis is to show that investors with less time and less capital can still gain substantial wealth by focusing on aggressive growth stocks with the right business model.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)

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