



Want to Be a Millionaire? All You Need Is 13 years and \$50,000 Today

Description

Data published by Stats Canada earlier this week showed that the average Canadian family earned \$61,400 a year after taxes. The data also seems to suggest that less than 4% of the country's population has more than \$1 million in liquid assets. In other words, most families are earning a decent income, albeit barely any are becoming millionaires.

That got me thinking whether it would be possible for the average Canadian saver and investor to start off with a nominal amount of savings, say \$50,000, and become a millionaire within a reasonable time frame.

As it turns out, it's possible, but requires a few extreme saving and investing strategies along the way. Here's a closer look.

Save aggressively

The reason developing countries like India and China are creating millionaires at a faster pace than developed countries like Canada is because of the wide difference in the relative saving rates.

Households in developing economies tend to save much more aggressively. The savings rate in India at the moment is 30.1%, while the gross savings rate in Canada is a paltry 3%. No wonder most Canadian households don't stand a chance of entering the millionaires club.

If you're looking to beat the odds, boost your savings rate to 10% or 15% of income, it could mean adding roughly \$10,000 to your portfolio every year.

By deploying this extra cash into tax-advantaged accounts like the Tax-Free Savings Account (TFSA) or the registered retirement savings plan (RRSP), you could significantly improve your chances of reaching the million-dollar mark.

Invest aggressively

A high rate of savings is a great first step, but it won't make you a millionaire. The return on investment is just as important. If you invest your \$50,000 in starting capital and \$10,000 in annual additions into a high-interest savings account, it could take you 60 years to become a millionaire!

Instead, focus on high-growth stocks and aggressively expanding technology companies to get there sooner. Stocks like **Shopify** and **Kinaxis** have already delivered stunning returns over the past few years and seem to have plenty of room left for the foreseeable future.

Constellation Software, for example, has delivered an annually compounded growth rate of [40% over the past 10 years alone](#). Even if the company delivered growth at *half that rate (20%)* it could turn your \$50,000 nest egg and \$10,000 annual additions into a million dollars within 13 years.

I suggest tracking and investing in high-growth stocks like these to reach your wealth goals faster.

Bottom line

You can't expect extraordinary results if you follow an ordinary income and savings strategy. Most Canadian families save too little, invest too conservatively and never reach millionaire status in their lifetime.

In fact, the average Canadian family has just \$213,800 in assets, much of which is the value of their primary residence.

In order to beat the odds and become wealthier than your neighbour, aim for a higher savings rate and invest aggressively in high-growth stocks with robust long-term prospects.

A 15% rate of annual savings coupled with \$50,000 in capital and a portfolio of high-growth stocks is all you need to reach \$1 million in less than 13 years.

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Author

vraisinghani

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