Got Less Than $10,000? Here’s How to Make $1,000,000 Anyway

Description

Saving up money is never easy. With the skyrocketing costs of living and draconian tax rates in Canada, it’s little wonder that most people are struggling to save. And 30% of Canadians have no retirement savings at all and another 19% have less than $50,000 saved up, according to research published by the **Canadian Imperial Bank of Commerce.**

Meanwhile, less than 4% of Canadians are millionaires. For most people, reaching this coveted seven-figure club is a mere dream. Nevertheless, here are three ways a disciplined and savvy investors can turn very little capital (say, $10,000) into a million within their lifetime.

The quick way

The quickest (and perhaps riskiest) way to generate a 100% return is to bet on stocks that are focused on aggressive expansion. Some companies sacrifice their profits and shareholder dividends to reinvest every penny they earn into long-term growth.

If the growth rate is anywhere close to 20% compounded annually, an investor could turn $10,000 into $1 million within just 25 years, which means that even an investor in her 50s could retire as a millionaire with the right growth stocks.

Consider this: an over 20% growth isn’t as implausible as it might seem. **Shopify’s** stock has delivered a 63.2% compounded annual growth rate since going public in 2015. Even non-tech companies with reasonable profits and dividends have surpassed the 20% threshold. Grocery giant **Alimentation Couche-Tard** has delivered 30% CAGR over the past 10 years, for example.

In other words, hyper-growth companies are practical options for most investors.

The slow way

Of course, not every investor is interested in picking individual stocks or facing volatility. A low cost index fund is a better alternative for patient investors looking for a more passive approach.

The **iShares S&P/TSX 60 Index,** for example, isn't very expensive and tracks the performance of the country's 60 largest corporations.

The expected return for a passive portfolio could be between 5% and 7% compounded annually. However, even the upper end of that estimate won't be enough to deliver a 100 times return within a reasonable time frame. To boost performance, investors may have to add at least $2,000 in additional savings every year.

With $10,000 in capital and $2,000 in extra annual savings, an investor could reach her $1 million goal within 49 years. Unsurprisingly, this slow-burn approach is only recommended for young investors with plenty of patience and discipline.

The practical approach

Now that we've discussed the quickest and the safest approaches, here's a look at the most practical option for most investors.

The best way for an investor to become a millionaire over time is to simply save as much as possible every year and adopt a passive approach to investments. For example, by simply maximizing the Tax-Free Savings Account (TFSA) contribution limit every year and investing in low cost index funds, an investor could accelerate wealth creation drastically.

Starting off with just $10,000 in capital and adding $6,000 every year into the TSX 60 index fund through a TFSA could help you reach the $1 million goal within 37 years. For most investors, this is the most practical and time-tested way to become a millionaire.

Bottom line

There are plenty of ways to generate wealth and become a millionaire, even if you don't have much capital today. However, any wealth-creation strategy will need either an appetite for risk or plenty of patience and discipline.

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