How Can I Be a Millionaire in 10 Years?

Description

There have been increasing recession fears amid the pandemic and record-low crude oil prices. However, the **TSX Index** has surged more than 25% recently since its record lows last month. Amid these uncertainties, is it prudent to throw in fresh money in the stock market? How can one use this market weakness to build a robust retirement corpus?

To build a healthy retirement corpus in a relatively shorter time, one needs to invest in high-growth stocks. One top growth stock that has defied any recession jitters or pandemic weakness recently is top tech giant **Shopify** (TSX:SHOP)(NYSE:SHOP).

Is Shopify a millionaire-maker stock?

While market pundits are expecting a bleaker picture for the global economy, this TSX stock has recently surged to all-time highs. Pandemic-driven lockdowns have rather supported Shopify's rally in the last few weeks.

The stock has surged more than 85% since last month and traded at $925 at the time of writing. With almost $106 billion of market capitalization, Shopify became the second-biggest company in the country.

Shopify provides establishments a platform to set up their online stores. The company is witnessing record-high traffic, as many small- and medium-sized businesses are struggling globally due to lockdowns and trying to go online.

Shopify's unique business model and increasing online shopping trend will enable stronger revenue growth for it in the next few years — not just during the pandemic — and these factors have largely driven the stock in the last five years.

Shopify's revenues jumped to US$1.6 billion in 2019 from just US$205 million in 2015. Analysts expect strong revenue growth to continue for the next few years.

If one had invested $100,000 in Shopify at the beginning of 2016, they would have accumulated approximately $3 million as of today. That's more than 90% return compounded annually in the last five years.

Race to a million: Growth stocks versus defensive stocks

If one invests $100,000 in growth stocks like Shopify today, it needs to deliver a little higher than 25% to make the corpus worth $1 million in 10 years. A longer investment period will allow lower returns to generate a similar corpus. That return assumption is on the higher side, but considering Shopify's strong growth prospects and historical returns, it could be feasible.

Let's see how this equation notably changes with defensive stocks. Let's say a conservative investor wants to be a millionaire. They invest $100,000 in a diversified basket of top TSX stocks. Expecting an optimistic 10% compound annual growth rate, it will take approximately 25 years to accumulate a corpus of $1 million.

This is where taking a high risk will pay off. Growth stocks will take a much shorter time to build a robust retirement portfolio as compared to defensive stocks.

Bottom line

You can't expect sky-high returns with recession-proof, divided-paying stocks. One has to assume higher risk to turn an investment into a seven-digit figure in a relatively shorter period.

Shopify is one of the top growth stocks on the TSX, and diversification will play a big role in long-term investing. Some other high-growth names like **Kinaxis** and **Constellation Software** have also significantly outperformed broader markets in the last several years. Along with defensive names, putting some of the investable amounts in growth stocks will give the much-needed aggressive tilt to your portfolio.

Investors should note that these growth stocks are trading at a significant premium at the moment. Investors with above-average risk appetite and those okay with excessive volatility can consider adding these growth stocks to their portfolios.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider

2. Msn
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