How Can I Be a Millionaire by 2030?

Description

There have been more and more fearful reports about the economy recently amid the pandemic. In the last few months, while the uncertainties continued to rise, stock markets kept soaring higher. So, is it prudent to throw in fresh money in equities right now? How should long-term investors place their bets amid this confusion? Is it really a good time to start building wealth for your sunset years?

While market pundits kept blaring about the economy getting bleaker, a few sections have managed to flourish like never before. Top technology stocks in Canada have witnessed massive growth so far this year.

Millionaire-maker TSX stocks

Stock of e-commerce titan **Shopify** (TSX:SHOP)(NYSE:SHOP) has more than doubled so far in 2020. Shopify has been a solid wealth creator for investors for the past several years. The stock surged more than 85% compounded annually in the last five years.

If investors put $10,000 in this stock today and it grew at the same pace for the next 10 years, they would generate a massive $4.7 million.

However, it wouldn't be prudent to expect similar growth for a company throughout its life cycle. Companies generally take a slower-growth path as they mature over the years. However, investors can still expect handsome growth from Shopify compared to broader markets given the industry outlook and its expansion plans. Its unique business model and increasing online shopping trends will likely enable stronger revenue growth in the next few years.

Investors should note that with growth stocks like Shopify, it may take much less time to build a solid retirement reserve than with defensive stocks. This is where taking a high risk can pay off.

Growth versus defensive stocks

Let's take a look at how things change with slow-moving stocks. If an investor puts $10,000 in a defensive stock such as **Fortis**, considering its historical performance, the amount will grow to $21,700 in the next 10 years.

That does not mean that investors should put all their money in fast-growing tech stocks and overlook defensive stocks. A healthy combination of both will outperform broader markets in bull as well in bear markets. The best combination is based on the investor's own risk tolerance.

A person with a couple of years to retirement is also less able to tolerate higher risks. Thus, they will have a higher portion allotted to slow-growing defensive stocks and less towards aggressive stocks.

On the other hand, a person in their early thirties will likely have a long investment horizon and be able to take higher risks. Thus, they can have a greater chunk invested in high-risk growth stocks and less in defensive stocks. Importantly, diversification plays a big role in long-term investing.

The Tax-Free Savings Account (TFSA) is one of the best tax-efficient investment options Canadians have. Dividends or capital gains generated within a TFSA are be tax-free even at the time of withdrawal. The TFSA contribution limit for 2020 stands at $6,000. A disciplined investment in a TFSA every year will generate handsome wealth in the long term.

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
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/08/23
Date Created
2020/05/27
Author
vinitkularni20