1 High-Growth Strategy for Your TFSA

Description

Rapidly growing stocks might not be most investors' cup of tea. They typically fall outside the risk metrics and risk-tolerance appetite for most investors. But there are ways to leverage fast-growing stocks and to speed up the growth rate of your portfolio.

First of all, there aren't too many rapidly growing stocks trading on TSX in the first place. That assessment will depend upon your definition of "rapid growth," but it's safe to say that there aren't many stocks that can sustain a fast growth pace for a long time. But even if you choose from the handful of stocks that fit the rapid growth criteria, you can achieve better results than you would have if you stick with a safe growth stock.

The strategy

Hypothetically, say you have a safe growth stock that you expect will keep on growing for about 10% every year for decades. If you only plan on investing capital of $6,000 in that stock, your returns at that growth rate will be about $135,000 in 33 years.

There is one way to boost these returns. Instead of investing the $6,000 in the safe growth stock right away, you invest it in two rapidly growing stocks (with a growth rate of over 45% per year). With $3,000 in each of these stocks, your returns at this rate will be a bit over $18,000 (combined). For the sake of factoring in the risk, let's say you lose all of your investment capital in one of the companies, and you only end up with half the returns (i.e., $9,000).

If you invest that $9,000 in the safe growth stock, at 10%, it will give you over $157,000 in 30 years. So, by investing the same capital, for the same amount of time (33 years in total), your returns are $22,000 better by leveraging a rapidly growing stock and putting your success rate at 50%.

It's not a huge difference, and it might still be too risky for some investors, but it's one of the ways you may want to look at growth-based investment strategies.

The stock

One stock that offers such high returns is **Cargojet** (TSX:CJT). Its CAGR for the past three years has been 47.95%, and unlike its other compatriots in the air, it's doing extremely well. The company operates a fleet of 24 cargo planes and covers 16 destinations. The company relies on same-day shipping and time reliability to give it an edge in its respective area. Its relationship with **Amazon** also strengthens its long-term prospects.

The company also offers dividends. The current yield isn't very enviable, but its dividend-growth rate is decent enough, about 57% in the past five years. But where it truly shines is its growth. The company returned over 533% to its investors in the past five years. The company's balance sheet seems stable enough.

Foolish takeaway

$6,000 is just about one year's TFSA contribution. It might not seem enough to rely upon, but in the right stock (or stocks), a one-time $6,000 investment may give you a nest egg of over $150,000 in about three decades. So, keep your eyes peeled for good stocks and, in addition to accumulating decent dividend stocks, look for fast-growing companies to give your portfolio some pace.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

PARTNER-FEEDS

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