



Got \$5,000? Here's How It Can Grow to \$50,000!

Description

If you've got \$5,000 available in savings that you can invest, now may be a great time to do so. There are some good, cheap stocks out there and below, I'll show you how you can turn a \$5,000 investment into \$50,000 — without having to take on significant risks, either. The only thing that's required is patience.

How can you earn such a significant return?

Investing is a long-term process, and through compounding, investors can see their returns grow in size. But that's a process that takes years, and it won't happen overnight. The good news is that you don't need a fortune to build wealth, and a \$5,000 investment can go a long way over time, especially if you invest the money in a Tax-Free Savings Account (TFSA) where the income you earn from the investment is tax-free.

Let's use a safe bank stock like **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) as an example. It's not an investment that will double or triple in value anytime soon. But when combined with a growing dividend, it can generate some significant returns for investors.

Currently, shares of Royal Bank are paying a quarterly dividend of \$1.08. And over the past five years, they've grown at a rate of about 7% per year. If we assume that the bank were to continue to raise its payouts at that rate and the stock itself were to also appreciate in value by 7%, here's how a \$5,000 investment might grow:

Year	Portfolio	Qtly Divdiend	Annual Dividend	Cumulative Dividend
1	\$5,350.00	\$1.08	\$237.36	\$237.36
2	\$5,724.50	\$1.16	\$253.98	\$491.34
3	\$6,125.22	\$1.24	\$271.76	\$763.10
4	\$6,553.98	\$1.32	\$290.78	\$1,053.88
5	\$7,012.76	\$1.42	\$311.13	\$1,365.01

6	\$7,503.65	\$1.51	\$332.91	\$1,697.92
7	\$8,028.91	\$1.62	\$356.22	\$2,054.14
8	\$8,590.93	\$1.73	\$381.15	\$2,435.29
9	\$9,192.30	\$1.86	\$407.83	\$2,843.13
10	\$9,835.76	\$1.99	\$436.38	\$3,279.51
11	\$10,524.26	\$2.12	\$466.93	\$3,746.44
12	\$11,260.96	\$2.27	\$499.61	\$4,246.05
13	\$12,049.23	\$2.43	\$534.59	\$4,780.64
14	\$12,892.67	\$2.60	\$572.01	\$5,352.64
15	\$13,795.16	\$2.78	\$612.05	\$5,964.69
16	\$14,760.82	\$2.98	\$654.89	\$6,619.58
17	\$15,794.08	\$3.19	\$700.73	\$7,320.32
18	\$16,899.66	\$3.41	\$749.78	\$8,070.10
19	\$18,082.64	\$3.65	\$802.27	\$8,872.37
20	\$19,348.42	\$3.91	\$858.43	\$9,730.80
21	\$20,702.81	\$4.18	\$918.52	\$10,649.32
22	\$22,152.01	\$4.47	\$982.81	\$11,632.13
23	\$23,702.65	\$4.78	\$1,051.61	\$12,683.74
24	\$25,361.83	\$5.12	\$1,125.22	\$13,808.97
25	\$27,137.16	\$5.48	\$1,203.99	\$15,012.96
26	\$29,036.76	\$5.86	\$1,288.27	\$16,301.23
27	\$31,069.34	\$6.27	\$1,378.45	\$17,679.68
28	\$33,244.19	\$6.71	\$1,474.94	\$19,154.62

It would take 28 years for your investment to grow to \$50,000. But remember, this is also using a conservative approach where you're investing in a top bank stock like RBC. If you're willing to take on more risk and investing in a [hot tech stock](#), your returns could grow at a much quicker pace. However, there would also be much more risk involved.

Imagine doing this with multiple \$5,000 investments

If you were to make similar investments with other comparable stocks, you could multiply those returns and potentially have a nice nest egg come retirement. Investing \$25,000 across five similar-performing stocks could grow your portfolio to \$250,000 by using this approach.

It's a safe way to increase your portfolio's value over the long term. But it's also important to remember that when it comes to dividends, there are never any guarantees. However, bank stocks are generally safe places to generate recurring cash flow from, especially when the economy's doing well.

Bottom line

Investments aren't get-rich-quick-schemes. They're about buying a piece of a business and benefiting from its long-term growth. Making risky, speculative purchases, like buying up [bankrupt companies](#), may be a way to earn a quick profit but those strategies could also quickly wipe out your entire investment.

And once that money's gone, there's no getting it back. That's why above all else, investors need to consider the risk when buying shares of a company.

RBC is about as risk-free of an investment as you can find on the TSX. While it may not generate earth-shattering returns for you in the short term, it can keep your money safe and help your portfolio grow over the years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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