How To Turn Your $50,000 Retirement Portfolio Into $1 Million

Description

There is no one-size-fits-all plan when it comes to preparing for your retirement. Some Canadians may be more than comfortable to live off a couple of hundred thousand dollars. Others may find it difficult to live off anything less than $5 million.

When it comes to retirement plans, they will often take years to achieve the end goal. This is why time is one of your greatest assets when preparing for retirement. The more time an investor has before retirement, the more time they can benefit from years of compounded interest.

The eighth wonder of the world

Albert Einstein famously referred to compound interest as being the eighth wonder of the world, and for good reason. The difference between just a few percentage points can mean a difference of millions of dollars.

Simple interest is where you only make interest on the principal amount invested. No matter how much your investment grows, the amount of interest you make is dependent only on the principal invested. The difference with compound interest is that the interest earned on an investment is calculated from not only the principal, amount but the previously earned interest as well.

Compound interest sounds great, but what’s the best way to achieve the highest return on your investment?

How should you invest?

Exchange-traded-funds (ETFs) are an excellent choice for investing wisely in the long-term. Many Canadian ETFs have a proven track record of earning an annual growth rate of 10%.

A $50,000 investment compounding at an annual growth rate of 10% would reach about $850,000 in 30 years.

For the investors that are comfortable taking their investing strategies into their own hands, let's look at a scenario where your investment returns outperform the broader market.

A $50,000 investment, now compounding at an annual growth rate of 15%, would reach about $3.3M in 30 years. That's what a 5% difference in annual growth can make for your retirement portfolio.

Brookfield Asset Management

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a $70 billion company that has averaged growth of much more than 15% over the past 10-, 15-, and 20-year periods. Of course, that does not guarantee the company will do that for the next 30 years, but the track record and growth strategy are two strong reasons why investors can expect the company to continue its torrid growth rate.

A major reason why Brookfield Asset Management is a perfect long-term stock to hold for your retirement is due to its diversification. The asset management company focuses on real estate, renewable power, infrastructure and private equity assets.

Not only is the company diversified in the assets it manages, but geographically as well. Brookfield Asset Management has clients across the globe, providing investors with exposure to much more than just the Canadian economy.

The stock may be down roughly 10% year to date, but all that means is investors can pick up shares today at a significant discount. Even at today's price, the assessment management company is not a relatively cheap stock. The company is now trading at a P/E ratio of about 40.

Foolish bottom line

ETFs can be an excellent investment to help Canadians reach their retirement goals. But for those Foolish investors looking to outperform the market, there are companies like Brookfield Asset Management that can help you do just that.

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