How Can I Be a Millionaire by 2025?

Description

A seven-digit figure retirement reserve would certainly be a soothing feeling. Not only will it be enough to maintain your standard of living, but the size will also act as a cushion in case of a market downturn.

To generate a solid retirement reserve, how long one remains invested plays a big role. A million-dollar reserve in the next five years is indeed an ambitious goal. One must have solid, consistent savings and a risk-taking ability to achieve such a feat.

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If an investor invests $100,000 per year in **TSX** stocks that can manage to grow 40-45% per year, they will create a million-dollar reserve in the next five years. Lower initial investment and a longer duration would also generate a similar amount of wealth.

High-growth TSX stocks

For example, **Shopify**, the ultimate Canadian high-growth stock, has managed to grow by more than 100% compounded annually in the last five years. An annual investment of $100,000 in Shopify would have generated more than $3.3 million today.

Apart from Shopify, Canadian markets have few other high-risk, high-reward stocks. The freight and logistics airline stock **Cargojet** grew by 45% compounded annually in the last five years. It appears poised for strong growth for the next few years as well.

Persistent e-commerce development will likely boost Cargojet with its competitive advantage of next-day delivery. Notably, the pandemic and lockdowns had a minimal impact on it, and the stock is currently trading close to its all-time highs.

Top gold miner **Kirkland Lake Gold** has also exhibited a stupendous growth in the last few years. The stock delivered returns of more than 55% in the last five years. Its higher production and comparatively slowly growing costs notably boosted its profits.

These companies' financial growth notably outlasted the industry average, driven by their competitive advantages and supportive business environment.

Know your risk-taking ability

Interestingly, these high-risk stocks compensate with higher returns and, thus, take less time to build a solid reserve against defensive stocks. This is where taking high risk can pay off.

Investors should note that a company cannot grow at the same pace throughout its life. While these high-growth stocks still have attractive growth prospects, they might not exhibit the same future growth. Also, conservative investors might shun them because of their premium valuation and higher volatility.

It would take decades to create a million-dollar reserve with defensive stocks like **Fortis** or **Enbridge**. They have grown by around 10% compounded annually in the last decade.

The Foolish takeaway

Interestingly, it does not mean that investors should completely avoid these slow-growing stocks. Their consistent dividends offer stability, which plays a vital role amid market uncertainty.

An individual with, say, five years to retirement, will have a lower appetite for risk and should have a larger portion allocated to defensive stocks. But an individual with a couple of decades to retire can allocate a higher chunk to aggressive stocks. A prudent combination of high-growth and slow-growth stocks would provide stability as well as growth to the portfolio.

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Date
2025/08/26
Date Created
2020/07/21
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