



Invest Just \$500/Month and Retire as a Millionaire

Description

The majority of us would like to retire as millionaires. Meanwhile, it is not such a difficult task provided you start investing early in your career to harness the power of compounding.

Let's assume you start investing at the age of 25 and plan to retire at 60. A small investment of just \$500 per month grown at an annualized rate of 8% can create a \$1.15 million reserve. However, if you start investing at the age of 30, you need to invest \$667 per month to become a millionaire.

Meanwhile, by investing through a Tax-Free Savings Account (TFSA), you can save on taxes. The contribution room for this year is \$6,000, which is equal to \$500 per month. The TFSA is indexed to inflation and is rounded to the nearest \$500. So, with your investments falling within the contribution room, the returns on your investments would be tax-free.

If you are ready to invest \$500 per month, here are the two safe stocks that can deliver above 8% returns over the long term.

Cargojet

An air cargo company, **Cargojet** ([TSX:CJT](#)), is my first pick. It has returned over 275% at a CAGR of over 30% in the last five years. This year, when the broader equity markets are feeling the heat of the pandemic, the company has returned 116%, driven by growth in e-commerce- and healthcare-related volumes. Apart from its impressive track record, its high market share makes me believe that [it is a safe, long-term bet](#).

Cargojet's management estimates that it transports approximately 90% of Canada's domestic air cargo volume. Its unique over-night delivery service and an array of 26 aircraft have given the company an advantage over its peers. Meanwhile, the company has added new aircraft and routes consistently to meet the needs of its services. Further, it keeps a tab on its expenses, which is encouraging.

The shift in customers' preferences towards online shopping could drive the e-commerce industry even after the pandemic. So, I believe Cargojet, with a significant market share in the air cargo industry,

could benefit from the e-commerce surge.

Canadian Pacific Railway

My second pick would be **Canadian Pacific Railway** ([TSX:CP](#))([NYSE:CP](#)), a transcontinental railway with around 13,000 rail networks across Canada and the United States. Its stock price has increased by over 480% at a CAGR of 19.3% in the last decade. This year, the company's returns stand at 24.9%, comfortably outperforming the broader equity markets.

The strong fundamentals have supported the company's stock price growth. In the last five years, its adjusted EPS has increased at a CAGR of 13%. The improvement in its operational efficiencies, including an increase in average train speed, higher weight, and increased length, has supported its margin expansion.

Meanwhile, Canadian Pacific Railway's growth prospects look healthy. Last week, the company had [signed](#) a multi-year agreement with Maersk to build a transload and distribution facility in Vancouver. The company is also investing in building high-throughput elevators and higher capacity cars, which could increase its grain carrying capacity per train by 40%.

Apart from organic growth, the company is also focusing on acquisitions to expand its business. It has signed an agreement to acquire the Detroit River Rail Tunnel. Further, the company's forward dividend yield currently stands at 0.92%, which is on the lower side. However, Canadian Pacific Railway has increased its dividends at a CAGR of 26.3% in the last five years. Its current dividend-payout ratio stands at 21.5%. So, the company has room to increase its dividends.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

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1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CJT (Cargojet Inc.)
3. TSX:CP (Canadian Pacific Railway)

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