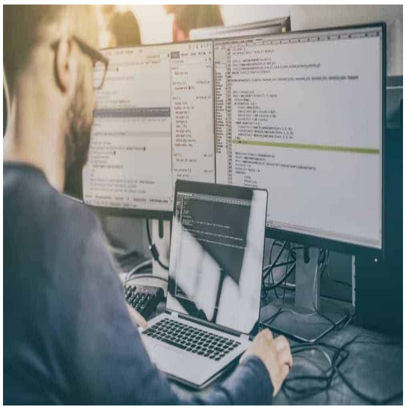

100% Returns Over 10 Years or 10% Returns Over 100 Years?

Description

All top stocks in the market fall into one of two categories: hypergrowth or reliable long-term compounders. The hyper-growth stocks pour every dollar of revenue back into the business to expand. While the long-term compounders focus on incremental gains and longevity that helps investors plan their finances decades in advance.

In this article, I want to answer a simple question: which one is better? Would you rather have a tech stock that doubles your money every single year for 10 years or a boring, steady growth stock that delivers a reliable 10% gain over 100 years?

Hyper-growth top stocks

Hyper-growth stocks are easy to spot in hindsight. For instance, you already know **Shopify** (TSX:SHOP)(NYSE:SHOP) is a phenomenal growth stock because of its track record. A $10,000 investment in the e-commerce company in 2015, when it listed, would now be worth $380,000. That's an astounding annual growth rate of 106% over five years!

However, spotting a stock that can deliver 100% annual returns over *the next 10 years* is incredibly difficult. In fact, I can't even confidently say if Shopify will deliver that rate by 2030.

Nevertheless, if you're lucky enough to spot a hyper-growth stock that compounds at an annual rate of 100% over 10 years, you could turn a $10,000 investment into $10.2 million.

Long-term compounders

By comparison, steady compounders are easier to spot. In fact, some stocks offer a dividend yield that is already close to our 10% annual target. **RioCan Real Estate Investment Trust** (TSX:REI.UN), for instance, offers an 8% dividend yield right now. Assuming the stock price compounds at just 2% annually, we could confidently say this meets our target for annual returns.

Meanwhile, the business model is also highly predictable. Real estate hasn't been disrupted in centuries and isn't likely to be disrupted over the next century. I'm pretty sure people in 2120 will still need a place to stay and rent. So, assuming RioCan can deliver a 10% annual return over 100 years isn't unreasonable.

Other high-yield dividend stocks in the renewable energy, communications, and healthcare sector are just as reliable. These are all industries where a company can survive for decades without facing market upheaval or complete obsolescence.

But do the returns compare to our hyper-growth stock? Well, a $10,000 investment in a stock that delivers 10% a year for 100 years will generate a jaw-dropping $137.8 million in total wealth. That's multiple times greater than our fancy hyper-growth stock mentioned above.

Bottom line

These examples illustrate a critical point: being in the stock market for *longer* is more important than a *quick return.* This is especially true if you're a younger investor. If you start investing in your early 20s or 30s, focus on a handful of reliable compounders instead of the sexy tech stocks your friends are buying. You'll likely outperform them.

Even if you're close to retirement, a steady compounder is better. Investing in your 50s for retirement in your 70s gives you two decades worth of compounding time. Also, you don't want to risk your fortune when you're this close to retirement. Resist the temptation of the sexy, quick-growth stocks.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
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