



How to Attain Financial Freedom by Investing Just \$500/Month

Description

Achieving financial freedom is on the minds of many people. It is about creating a residual income, which could cover all of your expenses so that you can enjoy doing things you like rather than working for money. Attaining financial freedom is not that hard but requires proper planning.

There are three main things that one has to do to achieve financial freedom. The first is to become debt-free as soon as possible. Second, start investing as early as possible. The third is planning for uncertainties by building contingency funds and buying insurance. Let's look at the second step in more detail.

Investing in high-growth stocks

To harness the power of compounding, one has to start investing as early as possible. Let's assume you are 25 years old and you are planning to attain financial freedom by 50. So, an investment of \$500 per month grown at an annualized rate of 12% can create a capital of over \$948,000 when you turn 50.

Meanwhile, the Canada Revenue Agency (CRA) allows Canadian citizens to earn tax-free returns up to a specified investment called contribution room under the TFSA. For this year and next, the CRA has fixed the contribution room at \$6,000, which comes to \$500 per month. So, with your investment falling below the contribution room, your returns will be tax-free.

Canadian stocks, on average, have returned around 8% in the long run. So, you have to look for stocks with strong growth potential to beat the markets. I believe **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)) and **Cargojet** ([TSX:CJT](#)) could deliver strong returns over the next couple of decades, given their strong growth potential.

Lightspeed POS provides omnichannel solutions to small and medium retailers and restaurant operators. The company's stock has more than doubled this year amid the increased demand for its services, as many retailers and restaurant operators took their business online amid the pandemic. The structural shift towards online shopping has created long-term growth prospects for LightspeedPOS.

Meanwhile, the company is also focusing on developing innovative products to expand its customer base and increase its average revenue per user. Given its strong financial position, it is working on strategic acquisitions to drive growth. With an estimated 47 million retailers and restaurants operating globally, [the company has significant scope to expand](#).

Cargojet stock has also more than doubled this year. With many passenger airlines grounded amid the travel restrictions and the surge in e-commerce sales, the demand for Cargojet's services has increased, driving its financials and stock price. Meanwhile, the demand for the company's services could sustain in the post-pandemic world, given its unique overnight delivery service and growth potential of e-commerce sales.

Air cargo business is highly capital intensive, which provides a natural barrier for new entrants, thus preventing increased competition and protecting its margins. Currently, Cargojet transports approximately [90% of Canada's domestic air cargo volumes](#). It also earns 75% of its revenue through long-term contracts, which delivers high-quality earnings and stable cash flows. Given the favourable environment and its scale of operation, I am bullish on Cargojet.

Earning passive income of \$4,300 per month

Once acquiring capital of over \$948,000, if you invest the amount in safe stocks that pay dividends above a 5.5% yield, you can earn over \$52,000 annually or \$4,300 every month, which could cover your expenses. **Enbridge** and **Canadian Utilities** have a long history of paying dividends. Currently, their dividend yield stands at 7.4% and 5.4%, respectively.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:CJT (Cargojet Inc.)
3. TSX:LSPD (Lightspeed Commerce)

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Author

rnanjapla

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