Here's How to Double Your Money Faster!

Description

Want to double your money faster? You might have heard of the Rule of 72, which is a simple way to approximate how long it would take for you to double your money on a certain rate of return.

For example, if you're earning a 6% rate of return from your investments, it would take about 12 years to double your money. That is approximated by 72 divided by six using the Rule of 72.

Generally speaking, aiming for a higher rate of return usually means taking greater risks. Along the risk spectrum, here are various investments from low risk to high risk — GICs/government bonds, corporate bonds, large-cap stocks, mid-cap stocks, and small-cap stocks.

History indicates that small-cap stocks have outperformed the rest in the long term. Over 87 years, small-cap stocks delivered a rate of return of 11.7% while the **S&P 500** delivered 10%. The 1.7% difference may seem small at a glance. However, investments compounded over 87 years in small-cap stocks (over the S&P 500) resulted in a $12,303 gain per $1 invested! That's a $1.2 million gain per $100 invested!

Of course, most people don't compound their investments for 87 years in their lifetime. This example just shows how powerful compounded interest can be.

How to double your money

In essence, your rate of return and the length of time you have for your investments to grow is key. The earlier you start investing, the less risk you can take when choosing your investments.

For example, it's not difficult to safely pocket an average rate of return of 8% in a diversified portfolio of blue-chip stocks. Today, there are some that are trading at good valuations and provide a margin of safety for your principal.

For instance, check out **Fortis** stock and **Enbridge** stock, which yield 3.9% and 7.4%, respectively. Both stocks could deliver returns of +8% per year over the next five years. **Brookfield Asset Management** is also attractive at current levels. It yields 1.2% but can achieve +12% of annualized returns!

If you invest for an 8% rate of return, you can double your money in about nine years, according to the Rule of 72. By staying invested for the long haul, you can double your money multiple times over!

Your savings rate

While earning a high rate of return helps you double your money faster, you should not ignore how much you're saving from your paycheque every month. Your savings rate is especially important in the early stages of your wealth-building journey.

If you save $100 a month for a 8% rate of return over 20 years, you would end up with about $54,914. If you save $500 a month instead, you would accumulate $274,572, or five times the amount!

Here's how to double your money faster

Saving more money to invest, especially early on in your life, helps tremendously in doubling your money faster. What's also important is aiming for a higher rate of return.

As stated earlier, small-cap stocks can outperform other investments. However, they're also riskier because they lack the track record of performance that solid large-cap companies have.

It took me more than a decade of stock investing experience before I dared to venture into the small-cap stock space. A safer way for anyone to gain exposure to small cap's growth is to buy a basket of small-cap stocks via small-cap ETFs such as **iShares Russell 2000 Growth ETF** and **Vanguard S&P Small-Cap 600 Growth ETF**. Small-cap ETFs can make up 0-20% of your portfolio, depending on your financial goals and comfortability.

Just remember that most stocks will participate in market corrections, including small-cap stocks. Therefore, always save some cash on the side to add to your top stock or ETF ideas on meaningful corrections.

Track your wealth-building progress using this free compound interest calculator.

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kayng