



New Investors: How \$1 a Year Becomes \$241 in 30 Years

Description

Welcome to the world of stock investing! The title is meant to grab your attention. \$1 is a very low commitment. However, it's very possible to turn \$1 a year into \$241 in 30 years.

No one invests only \$1 a year. Ideally, you would want to invest much more than that at a regular interval.

I'll show you first how to turn savings of \$1 a year into \$241. It's a simple example illustrating the power of compounding over time.

Essentially, if you saved \$1 a year and got a return of 12% each year for the many \$1, you'll arrive at a nice stash of \$241 in 30 years, even though you only put in \$30 of your own money through the three decades.

As the table shows below, the compounding effect is almost invisible in the early years of investing. In other words, when you first invest, your savings will pull more weight in growing your wealth. However, the compounding effect becomes more and more powerful as time elapses.

If you save and invest \$500 a month (or \$6,000 a year) for a 12% return instead, you'll become a millionaire in 27 years!

Year Invest			\$1 a year	Invest \$500 a month
0		\$0		\$0
1		\$1		\$6,000
2		\$2		\$12,720
3		\$3		\$20,246
4		\$5		\$28,676
5		\$6		\$38,117
6		\$8		\$48,691
7		\$10		\$60,534

8	\$12	\$73,798
9	\$15	\$88,654
10	\$18	\$105,292
11	\$21	\$123,927
12	\$24	\$144,799
13	\$28	\$168,175
14	\$32	\$194,356
15	\$37	\$223,678
16	\$43	\$256,520
17	\$49	\$293,302
18	\$56	\$334,498
19	\$63	\$380,638
20	\$72	\$432,315
21	\$82	\$490,192
22	\$93	\$555,016
23	\$105	\$627,617
24	\$118	\$708,931
25	\$133	\$800,003
26	\$150	\$902,004
27	\$169	\$1,016,244
28	\$191	\$1,144,193
29	\$215	\$1,287,497
30	\$241	\$1,447,996

Investing \$1 a year or \$500 a month for 30 years at a 12% rate of return.

A stock for 12% returns

One great stock that can deliver +12% returns in the long run is **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)). Its five-, 10-, 20-, and 30-year annualized returns were 17%, 13%, 19%, and 16%, respectively, on the **NYSE**.

Right now, even after a run up from the pandemic market crash low, the stock is still attractively priced for at least a starting position.

Brookfield Asset Management invests in real assets for itself and on behalf of its clients and shareholders. It earns management fees from doing that. It also earns performance fees for achieving certain targets.

Additionally, BAM is [a super-diversified company](#). It owns, manages, and operates assets in North and South America, Europe, and Asia. These assets range from private equity, real estate, infrastructure, renewable power, and credit.

The top-notch business aims for a 12-15% rate of return on its investments. This should translate to greater returns for BAM shareholders, especially if you buy the large-cap growth stock [when it's cheap](#).

Therefore, pretty much anytime you buy BAM after it has corrected meaningfully or consolidated for some time, such as from April to November 2020, you're likely securing +12% returns for the long haul for that investment.

Recently, BAM launched four new strategies, including investing in the energy transition to net-zero carbon, technology, and reinsurance, which will drive longer-term growth.

What's more to like is that BAM is a Canadian Dividend Aristocrat. It recently increased its dividend by 8.7%. It's reinvesting most of its free cash flow back into the expanding business to fuel more growth. So, its yield is relatively small at 1.2%.

More Foolish food for thought

The table above demonstrates the power of saving early and compounding over time. In real life, even if you aim for a 12% rate of return for all your investments, you will not get a smooth ride.

For example, your portfolio might appreciate 10% in year one, 15% in year two, and fall 8% in year three. Actually, stock prices change every day. So, the more volatile your stocks, the more ups and downs your portfolio will experience in a given day.

However, if you invest in a diversified basket of great stocks powered by wonderful businesses, you can be sure that, in the long run, your hard-earned savings and investing will pay off!

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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