How Long Will it Take to Double Your Investment?

Description

It's normal to wonder how long it'll take to see a significant return on your investment. For most, an easy benchmark for "significant returns" is 100%. That means that an investment would have doubled in value. Fortunately, it's easy to estimate how long a stock will take to double, assuming the stock continues its average rate of return.

To estimate how long a stock will take to double, investors should use the Rule of 72. The Rule of 72 states that by dividing 72 by an estimated rate of return, you will be able to estimate how long a stock will take to double. For example, the **S&P/TSX** has returned an average of 6.78% per year since 2016. Using the Rule of 72, investors could see an investment in the TSX double in just over 10 years. In this article, I discuss popular growth stocks and estimate how long it would take an investment to double.

This has been the top performer in Canada over the past three years

Each year, the TSX releases a new edition of the TSX30. This is a list which ranks the 30 best-performing stocks on the TSX over the past three years. In the most recent edition of the TSX30, **Shopify** (TSX:SHOP)(NYSE:SHOP) took first place. At the time of the announcement, Shopify had recorded a 1,043% gain over the three-year period. That was more than two times better than the next best stock on the list.

Since its IPO, Shopify has managed an average annual return of 97.11%. Using the Rule of 72, investors would have seen their investment double in 0.74 years, on average. That is an incredible growth rate and one that many investors may deem to be unsustainable moving forward. Despite the potential slowdown in Shopify's stock appreciation, it's hard to deny that the company's revenue continues to increase at an impressive pace. In its 2021 Q1 earnings presentation, Shopify reported a 110% year-over-year increase in its quarterly revenue.

A newer IPO that has taken the stock market by storm

Estimating future growth rates of more recent IPOs can be more difficult. For the most part, those are companies that haven't yet proved themselves in the stock market. In addition, a lot can go wrong for younger companies, significantly affecting its growth rate. Nevertheless, applying the Rule of 72 to these companies can be an exciting endeavour. One recent IPO that Canadians should take note of is **Nuvei** (TSX:NVEI). On its first day of trading, Nuvei made headlines when it closed the largest tech IPO in Canadian history.

Since its IPO in September 2020, Nuvei has gained 123.42%. That represents an annualized return of 146.27%. Using the Rule of 72, investors would have seen their positions double in less than half a year. Of course, you shouldn't expect that incredible growth rate to continue into the future, but it is something to consider. Nuvei is a young company that's hungry to capture a large slice of the digital payment industry.

Applying the Rule of 72 to a proven stock market outperformer

Let's take the Rule of 72 and apply it to a more established company. For example, **Constellation Software** (TSX:CSU) has been trading on the TSX since 2006. That provides us with a much larger sample size. For those that aren't familiar, Constellation Software is an acquirer of vertical market software companies. To date, it has acquired more than 500 businesses since its founding in 1995.

Since October 2007, Constellation Software has gained 9,309%. That represents an average annual return of 39.15%. According to the Rule of 72, investors would have seen their positions double in just under two years. While it's certainly a much longer holding period than Shopify and Nuvei have required for positions to double, the fact that Constellation Software has managed such a high growth rate over a decade and a half is very impressive.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. canada
2. constellation software
3. Editor's Choice
4. growth
5. growth investing
6. growth stocks
7. investing
8. long term growth
9. nuvei stock
10. Retail
11. Shopify

12. Shopify Stock
13. Stocks
14. tech
15. tech stocks
16. technology
17. technology stocks
18. tsx growth stocks
19. tsx tech stocks

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:NVEI (Nuvei Corporation)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

PP NOTIFY USER

1. jedlloren
2. kduncombe

Category

1. Investing
2. Tech Stocks

Tags

1. canada
2. constellation software
3. Editor's Choice
4. growth
5. growth investing
6. growth stocks
7. investing
8. long term growth
9. nuvei stock
10. Retail
11. Shopify

12. Shopify Stock
13. Stocks
14. tech
15. tech stocks
16. technology
17. technology stocks
18. tsx growth stocks
19. tsx tech stocks

Date
2025/07/21
Date Created
2021/07/27
Author
jedlloren