



How to Double Your Money Again and Again

Description

Who doesn't want to double their money again and again? I'm not just talking about saving money from your paycheques. If you're saving \$300 a month, it'll take you two months to double your first month's savings of \$300. With savings of \$600, it'll take you another two months to double your savings to \$1,200. The larger your pool of savings grows, the longer it would take to double your money.

Let your money work hard for you, too. Invest your money.

The [Rule of 72](#) approximates the time it takes to double your money based on your estimated return per year. So, if you are making 2% a year from GICs, it'll take about 36 years to double your money. That's a long time!

But if you expect to generate 20% per year from your stock investments, it'll take about 3.6 years to double your money. This means if you invest \$10,000 now and earn 20% annually on the investments, the \$10,000 will double to about \$20,000 in 3.6 years. Continuing on the 20% rate of return, the \$20,000 will double to \$40,000 in another 3.6 years, making four times your original investment in about 7.2 years.

The problem is that it's difficult to maintain that high of a rate of return over many years. Only the best investors, like Warren Buffett and Peter Lynch, have achieved that kind of annualized outperforming returns for more than a decade.

Certainly, stocks are likely to provide double-digit growth. Think growth stocks such as **Alphabet**, **Amazon**, **Facebook**, **Netflix**, and **Shopify**. However, your portfolio could end up being overly concentrated in these large-cap names if returns are what you seek.

Returns aren't everything. Investors must account for risk management when allocating money in their stock portfolios. For example, how well will the portfolio fare against bear markets?

[Small-cap stocks](#) can double your money much faster than large-cap high-growth stocks. For instance, a \$10,000 investment in **Lightspeed** stock since it was listed publicly in early 2019 would have grown to more than \$60,000! Another awesome tech stock that you should check out is **Docebo**. It has also

been a six-bagger since 2019!

A tech stock that could double your money

Open Text ([TSX:OTEX](#))([NASDAQ:OTEX](#)) is a tech stock that has doubled investors' money again and again for the long haul. Since 2000, the dividend stock has almost been an 18-bagger for investors' money, equating annualized returns of nearly 15%.

The question is whether the double-digit growth can continue. Let's quickly review the tech stock's recent results. In fiscal 2021, it increased revenues by 9% to US\$3.4 billion, while boosting adjusted EBITDA, a cash flow proxy, by more than 14% to US\$1.3 billion on a solid adjusted EBITDA margin of 38.8%.

Free cash flow declined 8% to US\$812 million year over year, but that's plenty sufficient to cover its growing dividend on a payout ratio of 26%. With strong coverage of its dividend, management proudly raised the dividend again by 10% this month.

Open Text is a solid name to buy for long-term price appreciation and dividend growth. It could potentially grow 10-15% per year over the next few years. The stock is slightly discounted today. So, if you like it, buy some shares and consider buying more on dips.

The Foolish takeaway

There are plenty of high-growth opportunities in tech stocks and small-cap stocks. While doubling your money quickly in these stocks would be exhilarating, they could introduce greater volatility to your portfolio. Volatility itself is not risky if you can stomach it. The real risk is the weakening of company fundamentals during bad economic times or investors selling at a loss or below a company's intrinsic value during bear markets.

It would be super if everyday investors could average annualized returns of at least 13% in the long run across a diversified portfolio. This rate of return will allow you to double your money every 5.5 years or less. Remember that investing new money regularly in stocks with great growth potential will help you double your money faster as well.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:OTEX (Open Text Corporation)

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Date

2025/07/05

Date Created

2021/08/22

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