



## 2 Top TSX Stocks That Can Help You Retire Early!

### Description

Investing in **TSX** stocks is a great way to build wealth. The power of compounding returns over a long stretch of time can actually change your life. It is believed that Albert Einstein once said, "Compound interest is the eighth wonder of the world. He who understands it earns it; he who doesn't pays it." Similarly, Benjamin Franklin stated, "Money makes money. And the money that money makes, makes money."

### The power of compounding returns can change your life

The earlier you start saving and *investing*, the sooner you can be [on your way to retirement](#) and financial freedom. Say you started out investing with \$100,000 of seed capital. If you could invest that at an annual rate of return of 20% (which, is pretty high, but not impossible), that \$100,000 could be transformed into \$620,000 in as little as 10 years!

That is a \$420,000 return without doing so much as a bit of research and some annual follow-up. Compounding returns truly are a wonder! If you want to utilize the power of compounding returns to retire early, here are two TSX stocks that are fantastic capital compounders.

### Brookfield Asset Management: A great all-around TSX stock

Over the past 10 years, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) stock has delivered an annualized total return of 20.82%. Including dividends, that is a 563% total return. However, that figure doesn't include all the various businesses it has spun out to shareholders over that time frame either.

Over the past five years, its financial metrics have actually been accelerating over that rate. Its assets under management have grown at a compound annual growth rate (CAGR) of 25%. That has translated into distributable earnings per share CAGR of 33%. In fact, just between this year and last year, that figure has more than doubled! Yet, Brookfield's stock price has only risen 57% year over year.

Brookfield all around has a diverse business with exposure to a wide variety of assets (infrastructure, real estate, renewable power, private equity, etc.). Given where interest rates are at, it is not unforeseeable that it could have \$1 trillion of assets under management in a matter of a few years. All around, this company is very well-managed, it has a good capital structure, it is debatably cheap, and it is a pretty safe way to entrust your capital.

## One of the best compounding stocks on the TSX

If you want a TSX stock that has doubled Brookfield's annual rate of return, then there is no better stock than **Constellation Software** ([TSX:CSU](#)). Over the past 10 years, it has delivered an annual rate of return of 41.6%! That's a total return of 3,146%!

Constellation's entire business model surrounds the idea of compounding returns. It acquires generally small, very niche software-as-a-service businesses. Often these have strong competitive moats or very sticky revenues. Constellation fixes its capital structure, provides best practices, and turns those businesses into cash-yielding machines. It collects the proceeds and then turns around and buys more businesses.

You will never see this TSX stock issue equity. It takes its internally generated returns and re-invests them. In fact, recently Constellation's management has argued for halting its dividend payout because investors would enjoy higher rates of return if that capital was re-invested.

Today, Constellation has a \$45 billion market capitalization. It is no longer small. Yet, it is getting creative on how to keep delivering strong returns. It has recently [lowered its hurdle rate](#) so that it could acquire larger technology businesses. That was previously an untouched market.

Likewise, it recently spun off [Topicus.com](#), its vertical arm in Europe. Some have suggested that Topicus.com, could be like owning an earlier form of Constellation. The point is, Constellation is great at allocating capital. It can likely do it better than most investors, which is a great reason to buy and hold this stock for a very long time. Your retirement could come faster than you think!

### CATEGORY

1. Investing
2. Stocks for Beginners

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2. TSX:BN (Brookfield)
3. TSX:CSU (Constellation Software Inc.)

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