



How to Retire a Millionaire With \$100 Per Week

Description

No, you don't need to make six or seven figures a year to retire a millionaire. A big income helps, sure, but one technique has helped millions of average Canadians retire with dignity and wealth: compound interest.

Compound interest is basically earning interest on top of interest. For instance, if you invest \$10,000 in an [exchange-traded fund \(ETF\)](#) that earns 10% within the first year, you'd be left with \$11,000. The next year, your ETF earns 10% again. Your earnings are based on the \$11,000, which means you gain \$1,100 your second year for a total of \$12,100.

This is much different than simple interest. With simple interest, you earn money based on your starting principal every year. With a principal of \$10,000, you'd earn \$1,000 every year. After two years, you're left with \$12,000, not \$12,100.

How long before \$100 per week becomes \$1 million with compound interest?

So, let's set up some assumptions. Let's assume you contribute \$100 weekly to an ETF that earns around 7% per year. With \$100 a week, you contribute around \$5,214 per year. With that rate of return, here's what you can expect:

- 10 years: \$69,842
- 20 years: \$210,010
- 30 years: \$491,722
- 40 years: \$1,057,910

So, with a rate of return of 7% (a rather conservative rate), you can make a million dollars in just under 40 years.

40 years? Are you kidding me?

Look — I get it. Not all of us have 40 years to save money.

Fortunately, the example above is based on a conservative rate of return, 7%. If you invested your money more aggressively — say, you identified some great [growth stocks](#) and [value stocks](#) — you could find your money growing at a larger rate. For instance, if your rate of return was 10%, here's how long it would take you to become a millionaire:

- 10 years: \$82,897
- 20 years: \$307,056
- 30 years: \$913,929
- 31 years: \$1,014,708

The higher your rate of return, the more you'll stretch your initial investment of \$100 per week.

How can you earn \$1 million faster?

First off, start investing as soon as you can. In fact, if you like, start as soon as you finish reading this sentence. Open an account with one of [Canada's best online brokerages](#) and start putting your money to work. The sooner you start, the more time you have to earn money off compound interest.

If you've already started investing, consider saving more than \$100 per week. For instance, if you increased your weekly contribution to, say, \$150, you could retire a millionaire within 28 years (assuming a 10% rate of return). Contribute \$250 per week, and you could retire a millionaire within 23 years.

Finally, if you can't contribute more money, you may have to retire later than you expected. Even a few extra years could give your money enough time to grow into a million.

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sporrello

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