



1 Simple Trick to Becoming a Millionaire by 2040

Description

We'd all like to be millionaires. Yet most people think that goal is far out of reach. That being the case, it's likely most people also don't realize that if you want to retire early, you'll *need* to be a millionaire. Heck, if you want to retire even by 65 this could be the case these days.

However, there is an easy trick Motley Fool readers can use to become a millionaire by 2040. The best part? You can start with absolutely *no* savings. The key is through one thing and one thing only: [consistency](#).

How to start

While 2040 is a great goal for those seeking retirement soon, the best way to achieve millionaire status is to start as young as you can. If you're a millennial, then you have decades to achieve millionaire status. So starting right now no matter what your age is the way to start.

From there, you need to figure out what your budget can afford. If you make \$50,000 per year, then putting 10% away or \$500 per month is a good figure.

However, let's then assume you have a partner. If both of you make \$50,000, that suddenly becomes \$1,000 per month. That's an excellent, affordable option for both of you while you're still working.

The consistent part

You have to be consistent about your contributions. Whether it's into your Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP), creating automated [contributions](#) is the key to this part.

Every month, you time your contribution to go straight into a plan in either your TFSA or RRSP. No thoughts, no fuss, it's done. Suddenly, you'll start to see a significant increase in your retirement savings. In the case of this example, that's \$12,000 in a year after you and your partner continue to

add to your savings.

How to reach millionaire status by 2040

As we know, this year is 2021. So that leaves 19 years to reach millionaire status. It can be done, but it might take a touch more than \$1,000 per month from you and your partner. In that case, it would take 45 years to hit \$1.1 million at an interest rate of inflation of 3% per year.

If you want to reach that goal by 2040, as of writing you would need to put aside \$3,300 per month in your household. That would mean \$1,650 each. That can be difficult if you're making \$50,000 each per year and even if you're making \$100,000 per year. But it is certainly possible.

However, let's say you take your savings and invest in a dividend company with a dividend yield of \$3 per year. That yield then climbs by 7% per year. Even if returns only rise at the same rate as inflation, that will increase your funds far faster than simply adding savings.

In this example, you actually can spend even less than \$500 per month. To reach \$1,082,000 by 2040, that would mean putting aside \$600 per month, or \$300 each with a partner! By reinvesting each month and seeing your investments rise at a stable rate, you'll reach that goal in no time.

Bottom line

Now, all investing comes with risks, of course. Talking with a financial advisor about what risks you're willing to take is definitely a strong choice. However, by reinvesting in a passive income [portfolio](#), you'll be able to reach financial freedom far sooner than you ever thought possible.

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