4 Stocks That Could Turn $100,000 Into $500,000 by the Time You Retire

Description

A couple of factors can help you turn $100,000 into $500,000, or five times your money — the time your money stay invested and the rate of return. The sooner you save and invest money for long-term investment, the lower the returns you can target, and the more likely you can turn $100,000 into $500,000 with lower risk.

The following table shows the relationship between the length of the investment and the rate of return required. This assumes compounding on an annualized basis.

Years until retirement	Rate of return (or returns per year)
10	17.46%
20	8.38%
30	5.51%
40	4.11%

Active investing may be required to get rates of returns of +17%

Only the best investors have achieved consistently high rates of returns for the long haul. For example, according to a Yahoo Finance article, "Legendary investor Peter Lynch was well known for his stock-picking skills. His Magellan Fund at Fidelity Investments delivered a compounded annual return of 29.2% between 1977 and 1990." His exceptional returns were achieved by combining "growth and value investing principles, aiming to invest in companies with strong growth but avoiding those with high valuations."

This suggests that to achieve high rates of returns consistently, investors need to actively invest with excellent stock-picking skills. Investors, as a result, may need to sell stocks that they believe to be fully valued to reallocate capital in better risk-adjusted stock opportunities. One type of stock that requires active investing is cyclical stocks like **Magna International**.

For example, from a pandemic market low in March 2020 to early June 2021, the stock more than tripled investors' money by turning a $100,000 investment into $341,900 in about 1.25 years. This ideal timing led to an incredible annualized return of about 177%, or a total return of 242%.

Where to invest for an 8.4% rate of return

If, instead of 10 years, you have 20 years until retirement, you can take a more passive approach in stock investing because you only need to accomplish annualized returns of about 8.4%. Investors should be able to reach this return by investing in reasonably valued quality stocks. You can potentially get this return by a combination of dividends and stable growth.

For example, **Toronto-Dominion** stock offers a safe dividend yield of about 4.3%. It only needs to appreciate 4.1% per year to allow investors to get an approximated rate of return of 8.4%. In reality, it should exceed the expectation, because it aims for a medium-term earnings-per-share growth rate of 7-10%. Additionally, the stock is discounted by about 15% right now.

Stocks that can deliver at least 4.1-5.5% per year

Stocks that pay out high dividends tend to be more established businesses. If you have 30-40 years until retirement, you can consider investing in lower-risk dividend stocks instead of higher-risk, growth-focused stocks. For example, some popular high-yield dividend stocks include **BCE** and **Enbridge** that yield 5.7% and 6%, respectively.

Their dividends alone can result in the return needed to turn a $1 investment into $5 for long-term investors. Importantly, both stocks have the culture to increase their dividends over time. Both stocks can increase their dividends by up to about 5% per year over the next few years.

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