How to Invest $20,000 Now to Help Pay for College

Description

According to a 2018 RBC report, Canada's tuition rates have tripled since the 1990s. The average student loan debt is $15,300 for college graduates and $28,000 for university graduates (according to Statistics Canada). With this growing cost, it currently takes roughly nine to 15 years to repay an education loan.

The cost of going to college

Canada's education inflation is growing faster than overall inflation. This year, undergraduate tuition fees surged as much as 12%. Someone born in 2018 will have to shell out $70,000 for a four-year program by the time they reach college in 2037. And if you add in living expenses, the cost could go up to $128,000. Needless to say, managing student loans early in life will stress your finances.

Pay for college with your own money

You can help your children get ahead by investing $2,000 a year for the next 10 years in a Registered Education Savings Plan (RESP). You get the $2,000 tax deduction, and your kid gets a leverage-free education. So how can you get started?

You need stocks that can beat education inflation and convert $20,000 into $70,000-$100,000 in 10 years. To achieve this target, your portfolio should have a compound annual growth rate (CAGR) of 20%. Here are two long-term growth stocks that could help pave the way on the road to college.

Descartes Systems stock

Descartes Systems (TSX:DSG)(NASDAQ:DSGX) is a long-term growth stock with a 20% CAGR. Global trade is becoming more complex every year, creating demand for more efficient solutions to manage supply chains and logistics. Geopolitical tensions are changing the global supply chain, which could take five to seven years to adjust. Descartes's supply chain solutions help companies comply with the fast-changing environment by offering route mapping, customs and compliance, and logistics planning.

Moreover, Descartes has enhanced its e-commerce offerings to tap the door delivery market. Its customers are spread across various verticals like manufacturing, retail, and transportation. All these verticals grow with the economy. If there's a pullback, there is also an equally strong bounceback, making Descartes a definite buy in a dip.

The stock proved its elasticity in the previous crisis. During the 2018 trade war, DSG stock dipped 27% as the United States and China imposed several restrictions on semiconductor exports, reducing trade volumes. At that time, Descartes saw a significant surge in its compliance solutions, and its stock bounced back 66% in 2019. During the 2020 pandemic, local retail and manufacturing was affected due to lockdowns. But demand for Descartes's e-commerce solutions increased, and its stock surged 94% in a year.

Now, Descartes's stock has dipped 35% because of the tech stock sell-off and the supply chain disruption resulting from the Russia-Ukraine war. Nations are rebuilding new supply chains, creating demand for Descartes solutions. Its stock price has increased by 16%. Now is the time to book your chance to earn a 60% return in 2023 and 20% CAGR till your kid goes to college.

goeasy stock

Believe it or not, the stock of non-prime lender **goeasy** (TSX:GSY) surged at a 30% CAGR between 2015 and 2020. The company's business model aims to provide small loans between $500 and $75,000 to those who can't secure loans from traditional banks due to weak credit scores or other reasons. With higher risk comes higher interest.

goeasy's turnover depends on the number of loans originated, and profit depends on the number of loans repaid with interest. If the turnover is high, profit will be low initially but grow later as it earns interest. This model not only generated growth in a strong economy but also allowed goeasy to sustain the 2009 financial crisis. As a small-cap stock, any economic improvement brings significant stock price momentum. goeasy stock has a limited downside as the company sets aside a certain amount for bad debt provisions.

In the current scenario, rising interest rates have made borrowing difficult, shifting loan demand to lenders like goeasy. Loan originations surged 70% in the second quarter, but the stock price fell over 50% due to the increased risk of bad debt. As the economy recovers, the stock could jump 100% and later return to 30% or less CAGR, helping your kid go to college loan-free.

CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)

2. TSX:DSG (The Descartes Systems Group Inc)
3. TSX:GSY (goeasy Ltd.)

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