



Investing in the Stock Market Could Turn Your \$1,000 Into \$100,000: Here's How

Description

A stock market is a place where you can decide how much you want to earn and in how much time. Remember, time is money. The more time you spend in the market, the more you earn while investing less. You can convert \$1,000 into \$100,000 in 15 years, 10 years, or even 7 years in your portfolio, which will give you a compounded annual growth rate (CAGR) of 15%–16%. Here's how.

How the stock market could give you \$100,000

The best way to [invest in the stock market](#) is to make small monthly or quarterly investments. This way, you would have the cash to invest when the stock you have been eyeing reaches an attractive valuation. The shorter the investment horizon, the more money you need to invest. If you have a portfolio that generates a 15% CAGR, investing:

- \$1,000 per month for the next 12 months could turn into \$100,000 in 15 years.
- \$1,000 per month for the next 24 months could turn into \$100,000 in 10 years.
- \$1,000 per month for the next 36 months could turn into \$100,000 in 7 years.

Index funds or bonds can't give you a 15% average return. You need a well-diversified portfolio of growth and dividend stocks to outperform the market. Then, you have to rebalance your portfolio at regular intervals. This step is where most investors miss out.

Two stocks to invest \$1,000 in the next 12 months

This year saw [bearish](#) momentum, and analysts expect the market weakness to continue in 2023 as [fears](#) of global recession increase. Now is the time to invest in long-term growth stocks and high-yielding dividend stocks.

Magna stock

One of the world's largest automotive component suppliers **Magna International** ([TSX:MG](#)) took a huge blow last year from a semiconductor supply shortage. New headwinds like the energy crisis, higher commodity prices, and China's frequent lockdowns kept delaying revenue growth. Magna reduced its 2022 earnings guidance, which pulled the stock down almost 40%. But its \$2 billion cash reserve in 2021 was sufficient to survive the slowdown while continuing share buybacks and dividends.

The third quarter saw some easing of the chip supply shortage, which increased Magna's revenue by 17% and stock price by 22%. But there are more challenges to tackle as inflation increased Magna's expenses and reduced its operating cash flows.

Fears of a global recession could reduce demand for light production vehicles and, consequently, Magna's stock price next year. But the company has over \$1 billion in cash reserves and \$3.5 billion in credit facilities to survive a recession without dividend cuts. Moreover, it has partnerships and orders with top automakers and is ready to ride the electric vehicle (EV) revolution.

When light vehicle production volumes surge in North America, China, and Europe, Magna's stock could surge past \$100, representing a 25% upside. This upside is over and above the 3% dividend yield. When the EV revolution kicks in, Magna stock could see long-term growth. The stock price surged at a 28% CAGR in the past 10 years. It has the potential to deliver a 20% CAGR in the next 7 to 10 years.

True North Commercial REIT

For the dividend side of your portfolio, consider buying **True North Commercial REIT** ([TSX:TNT.UN](#)) stock, which fell more than 20% this year. The TNT.UN stock price could continue to fall in a recession but sustain its current distributions. The REIT has a 95% occupancy, with 80% rent collected from government offices and high-credit-ranking companies.

The REIT has a 95% payout ratio, which is not sustainable in the long term. But it shows no signs of distribution cuts in the near term. Economists believe Canada won't face a recession like other economies. An economic recovery could increase property prices and push up the REIT's stock price.

If you invest \$200 per month for the next 12 months in this REIT, you can benefit from further dips while locking in a distribution yield of over 10%. If there are no distribution cuts, the stock price could surge 15%–18% in the next two years, giving you a CAGR of 18–19%.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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