



How I'd Spend \$3,000 if I Had to Start Over From Scratch

Description

Over the past couple months, I've had a few close friends start investing in the stock market. It isn't uncommon for them to ask, "What do you think I should do?" Without explicitly telling them what to do, I often say what I would do if I had to start over. Now that I've been able to invest for a while, looking back at the decisions I would change is a welcomed chance to reflect. With that said, here's how I'd spend \$3,000 if I had to start over from scratch.

This would be the first thing I buy

The easy answer would be to tell someone to start with a broad market index. An example would be the **Vanguard S&P 500 ETF** ([TSX:VFV](#)). This would give an investor the opportunity to get used to everyday market movements, while limiting risk. The S&P 500 features many companies that Canadians will be familiar with, including **Amazon**, **Apple**, **Microsoft**, and **Tesla**. These large-cap companies tend to be less volatile compared to smaller, up-and-coming companies that experience a lot of stock movement based on investor sentiment.

Getting familiar with broad market ETFs will also be a good starting point for investors to find companies they're interested in. When I first started investing, I skimmed the top holdings across many ETFs in addition to reading articles on The Motley Fool to get a sense of the investment landscape.

Add some growth to your portfolio

After that, I would look for companies that could give my portfolio a bit of a boost in terms of growth. In Canada, **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) would be a good company to consider as a starter stock. It provides investors the opportunity to invest in an established blue-chip company, while holding a company with massive growth potential.

For those that are unfamiliar, Shopify provides merchants with a platform and all the tool necessary to operate online businesses. Over the past year, the company has seen a massive boost in active merchants. Currently, there are more than 1.1 million businesses that use Shopify to power their online

stores. As e-commerce continues to grow in penetration across Canada and around the world, investors can expect Shopify to [help lead the way](#).

Add a stock that has a history of compounding returns

The stock market is really about compounding your returns. If you were to earn a 1% return on your \$3,000 portfolio, you'd end up with \$3,030. The next day, if you were to gain another 1%, your portfolio would grow to \$3,060.30. It may seem like a small difference at first, but those returns can snowball very quickly. The same goes for individual stocks. Companies that have been able to steadily compound returns over a long period would have made investors much richer.

For example, **Brookfield Asset Management** (TSX:BAM.A)([NYSE:BAM](#)) has managed to produce an annual average return of 15.95% since August 1995. That would have turned a \$10,000 investment into more than \$471,000 today. Although Brookfield is a more established company, it does give investors a lot to be excited about from time to time. Recently, Brookfield announced that it would be partnering with Tesla to develop North America's [largest sustainable neighbourhood](#).

CATEGORY

1. Investing
2. Stocks for Beginners

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3. Editor's Choice
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TICKERS GLOBAL

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:BN (Brookfield)
4. TSX:SHOP (Shopify Inc.)
5. TSX:VFV (Vanguard S&P 500 Index ETF)

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