



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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1. brookfield asset management
2. Brookfield Asset Management stock
3. Editor's Choice
4. investing
5. long term growth
6. market
7. Shopify
8. Shopify Stock
9. Stocks
10. vanguard ETF

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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Date

2025/08/15

Date Created

2021/08/11

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