



How Ronald Read Made \$8 Million in the Stock Market

Description

They laughed when he started investing on his own, but their grins turned to amazement when he unveiled his fortune.

Ronald Read was known around town as a friendly man who often sported a flannel jacket and baseball cap. The Dummerston, Vermont native, a former janitor and gas station attendant, gave no clue as to the size of his wealth.

His hidden talent for picking stocks was only revealed after he passed away. When Read died last June, friends and family were stunned when his estate left \$6 million to the Vermont Brooks Memorial Library and the Brattleboro Memorial Hospital.

Stories like Ronald Read are actually not unheard of. But how do people of such modest means accumulate so much wealth? Read's story reveals a few clues. Let's review how he amassed such an extraordinary fortune and what lessons we can learn from his example.

1. He lived frugally: Read never looked like a millionaire. He was frugal his whole life, saving money, avoiding waste, and eschewing most luxuries. He was so frugal, in fact, Read sometimes held his coat together with safety pins. His estate included a 2007 Toyota Yaris valued at \$5,000.

2. He kept learning: Read subscribed to *The Wall Street Journal* and kept close tabs on business and other financial news. He thoroughly researched every stock he owned, with a keen focus on strong franchises that were poised to grow profits over time.

3. He bought wonderful businesses: With his savings, Read bought shares of companies that paid out regular dividends. His portfolio included dozens of blue-chip stocks like **CVS**, **JPMorgan Chase**, **J.M. Smucker**, **Johnson & Johnson**, and **Procter & Gamble**. Those dividend cheques were then reinvested back into more shares of the same companies.

Owning dividend-paying businesses is a proven wealth-building formula. As you can see in the chart below, boring, high-yield stocks like **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), the **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), and the **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) regularly

beat the broader market over the long haul.

Company	Current Yield	10-Year Total Return
BCE	5.0%	122%
Royal Bank of Canada	3.9%	140%
Canadian National Railway	1.7%	301%
S&P/TSX Composite Index	2.7%	56%

Source: Yahoo! Finance

4. He was a buy-and-hold investor: When Read passed away, he had a five-inch-thick stack of stock certificates in a safe-deposit box. Keeping his holdings in certificate form meant that selling his shares was a laborious, expensive process. Compare that with launching an app on your phone. Trading nowadays is too easy for our own good.

5. He avoided taxes: Buy-and-hold investing has another advantage over more active strategies—tax deferral. Each time you sell a stock for a profit, you have to pay capital gain taxes. This can take a big bite out of your returns. But by holding on to his shares indefinitely, Read was able to shelter his profits from the IRS, thereby allowing his wealth to compound even faster.

6. He diversified: Read diversified his portfolio across lots of companies in many sectors. This diversification allowed him to spread the risk broadly. Even bad investments like Lehman Brothers had only a small impact on his returns.

7. He took a long time: Read had remarkable patience. He held on to many of his stocks for years and even decades. Read took advantage of the power of compounding, allowing his gains to grow on top of earlier gains. Most investors, in contrast, start saving too late in life and don't allow time to work in their favour.

CATEGORY

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

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:RY (Royal Bank of Canada)

Category

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

Tags

1. Editor's Choice

Date

2025/09/29

Date Created

2015/06/02

Author

rbailleul

default watermark

default watermark