3 Tips on How to Get a 100% Success Rate in Investing

Description

With the stock price of securities going up and down in a matter of minutes, investors can get emotional and end up buying and selling at the wrong times. Here are some tips to avoid selling at a loss.

Tip 1: Choose long-term investing over short-term trading

In short-term trading, it's easy to get sucked into the emotion of the moment, whether it be fear or greed. Investors tend to sell low and buy high if they're not experienced.

To protect your money and your nest egg, invest for the long term. Assuming the company you invest in doesn't go bankrupt, the longer you hold an investment, the higher chance you'll land on a gain.

To avoid bankruptcy, invest in companies that has a history of growing earnings and dividends. **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Canadian Western Bank** (TSX:CWB) are excellent examples.

Tip 2: Ignore the price. Focus on valuation.

Both Enbridge and Canadian Western Bank are priced at a discount. Enbridge is priced at a price-to-cash-flow ratio (P/CFL) of 13.4 at about $59 per share. With its growth projects coming online over time, it is expected to generate more cash flow. Studying the P/CFL equation, when the cash flow grows, the price has no choice but to go up as well.

Canadian Western Bank normally trades at a price-to-earnings ratio (P/E) of 13.6, and has traded at a P/E of 15 before. Currently, at under $30 per share it is trading at a P/E under 11.

It's true that the bank has been affected negatively by the low oil price environment, but that is exactly when you buy good companies. You buy when they're priced at a cheap multiple due to temporary issues compared with their histories.

Tip 3: Focus on the business and the dividends.

Enbridge forecasts to grow dividends by 14-16% through to 2018. Those dividends are supported by investments of $40 billion worth of growth projects that are leading to cash-flow growth.

Right now you'll get a 3.1% yield, and by 2018, you'll get a yield-on-cost of 4.6-4.8% on a purchase today. With a 19-year history of hiking dividends, Enbridge is likely to follow through with its dividend-growth forecasts. Further, dividend growth also leads to price appreciation.

So far, Canadian Western Bank is holding its own in the low oil price environment. Up till now it has increased its earnings by 4% with a target of growing between 5-8% by year end. In June the regional bank also hiked its quarterly dividend to $0.22 per share, an annualized increase of 10%.

Bonus tip: Buy established blue-chip dividend companies

If you ask me, both Enbridge and Canadian Western Bank are blue-chip dividend companies. They treat shareholders well by sharing profits with them via growing dividends. They're great companies to build a foundation portfolio with, and you can expect to get a blended annual return of over 11% three to five years out.

Conclusion

Investing long term in established blue-chip dividend companies will tremendously increase your success rate in investing. Instead of fixating on the price, buy companies like Enbridge and Canadian Western Bank at discount valuations, which is happening right now.

Lastly, by focusing on their businesses, you should see that they are able to support their growing dividends. And in turn, the dividend growth will eventually lead to price appreciation.

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