



## 3 Tips to Build Wealth

### Description

We all have different reasons to build wealth. The most common one is to retire comfortably. That is, you want to maintain your current lifestyle in retirement, assuming you're not at that stage yet.

Actually, some people might spend more during retirement because they want to go on luxury vacations, or unplanned medical expenses throw them off. So, it's always best to have more than enough. Whatever your reason, here are three tips to build wealth.

#### Invest in high-quality stocks that pay you

There is investing in stocks, and there is investing in stocks that pay shareholders. Dividend stocks pay out a portion of their earnings as dividends to shareholders. Strong dividend stocks have a long history of paying dividends. They are able to do that because they have stable earnings.

There are some well-known businesses that have paid dividends for over a century. If that's not high quality, I don't know what is. The Big Five Canadian banks have paid dividends since the 1800s.

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is the longest dividend payer Canada. It started paying a dividend in 1829. **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) soon followed in 1832. Interestingly enough, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), Canada's largest bank, was the last to start paying dividends of the Big Five banks. Still, it has paid one for 145 years.

Other than the banks, Canada's two large telecoms, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) and **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) also have one of the longest streaks of dividend payments. BCE Inc. and Telus have paid dividends for at least 99 years.

These dividend stocks typically pay a yield between 4-5%, and are excellent candidates for building wealth over the long term if you consistently invest in them.

#### Spend less than what you earn

The only way anyone can consistently invest is to spend less than what one earns. For example, if

you're able to save 30% of your monthly income and use that to buy quality dividend stocks, you'll be building a nice nest egg for your retirement.

The sooner you do this, the better, because no one can guarantee that you won't make any mistakes in your investments. Investing is a continuous learning process, especially if you're managing your own portfolio.

### **Use tax-advantaged accounts**

Tax-free savings accounts (TFSA) and registered retirement savings plans (RRSP) help you save on taxes. What you earn in a TFSA account is tax free, so it's great for investing in high-quality dividend stocks for growth.

When contributing to RRSPs, you get a tax refund, and what you earn inside compounds tax deferred until you withdraw the funds. There are occasions when you won't get penalized for taking funds out, such as buying your first home or investing in education. However, you need to contribute back the amount that you withdrew over time.

Eligible dividends paid out by Canadian stocks are taxed favourably compared to your job's income. So, investors might want to invest in real estate investment trusts (REITs), which pay out distributions, and hold them in their TFSAs and RRSPs. A portion of a REIT's distributions might be taxed differently. A popular retail REIT is **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)). It pays a yield of 5.5% and is a good candidate to hold in TFSAs or RRSPs.

### **In conclusion**

The discipline of consistently saving and investing in quality dividend stocks over time is the key to building wealth. You should continue to invest in a down market. Actually, the less you pay for the shares, the more value you get out of the investment. Time and compounding will make your money work for you, generating more income and appreciating in value over time.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:BMO (Bank of Montreal)
3. NYSE:BNS (The Bank of Nova Scotia)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TU (TELUS)
6. TSX:BCE (BCE Inc.)
7. TSX:BMO (Bank Of Montreal)
8. TSX:BNS (Bank Of Nova Scotia)

9. TSX:REI.UN (RioCan Real Estate Investment Trust)
10. TSX:RY (Royal Bank of Canada)
11. TSX:T (TELUS)

### Category

1. Dividend Stocks
2. Investing

### Tags

1. Editor's Choice

### Date

2025/08/25

### Date Created

2015/10/06

### Author

kayng

default watermark

default watermark