Get Rich by Stealing These 3 Secrets From Millionaire Investors

Description

Over the years I've had the pleasure of chatting with dozens of millionaire investors, whether it's been in person, over the phone, or via email. I've also spent countless hours reading their words, watching them on television, and discussing their moves with other investors.

There's one simple reason why I admire the rich so much: you can't argue with success. That's not to say millionaires are infallible, because they're not. I can probably identify at least one investing mistake made by each of the millionaires I've met. But they also do so well that their mistakes hardly matter.

The beautiful thing about most of the lessons I've learned from folks richer than me is that they aren't very complicated. You don't need an IQ of 150 to grasp them. All you need is an open mind, persistence, and the ability to look outside the box a little bit.

Here are three of the most important secrets I've learned from millionaires.

Concentration

I've met millionaires that made their money from many different sources. Some invested heavily in real estate. Others owned a business. And others were strictly investors, using compounding to slowly get ahead.

For the most part, these folks eschewed the idea of traditional diversification. It's not that they put all their eggs in one basket. Rather, they made sure that an investment was big enough to really matter if it worked out.

I've seen conventional advice that says investors should have anywhere from 50 to 100 different positions in a portfolio, especially for retirees who depend on the income. If the goal is capital preservation, perhaps that kind of diversification is sound.

But I also know a man who has a net worth comfortably in eight figures who got that way putting nearly everything into his business. Sure, it was definitely riskier than a diverse portfolio, but the reward was extra sweet.

Smart about real estate

You wouldn't know that many of the millionaires I've met are rich by looking at their houses. They tend to live in middle-class digs.

These folks have figured out a very important lesson: home equity is not a productive asset; it's hard to extract without selling. And having too much of it will decrease a portfolio's overall return. They spend enough on housing to be comfortable and then put the rest into productive assets.

I find that many of the wealthy folks I know own real estate investment trusts, even the ones who own physical real estate. They like the ease of owning a REIT along with the built-in diversification.

One such investment is **H&R Real Estate Investment Trust** (TSX:HR.UN). There's a lot to like about this company, like its 7.3% yield, its exposure to the U.S. market, and its low payout ratio of only about 70% of funds from operations.

H&R is beaten up because of exposure to Calgary. But shares are trading at 25% off book value, which essentially means investors are getting the Calgary exposure thrown in for free, while paying the market price for the rest of the company. There's no way those Calgary properties are worth zero.

Patience

In a world where we can hop on a plane and be halfway around the world in less than a day, it's hard to wait years for something to happen.

Good investors know big gains don't happen overnight. It takes years of holding. Often, dividends are being added back to the investment as they wait, which really gooses future returns.

As an example, let's use **Alimentation Couche-Tard Inc.** (TSX:ATD.B). A decade ago it was just beginning its grand expansion plans after acquiring the Circle K business.

For the first five years, shares didn't do much. Excluding any dividends, they were only up a paltry 13.7%. It was the next five years when the investment really made a difference with shares soaring nearly 550% to the highs we see today.

It's a simplistic example, and it's easy to identify opportunities in hindsight. But the point is this: any investor who got impatient and sold out back in 2011 missed the kind of ride that can really make or break a portfolio.

CATEGORY

1. Investing

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1. TSX:HR.UN (H&R Real Estate Investment Trust)

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