3 Top Tips for Successful Investing

Description

Frequent market gyrations and sensational headlines make it easy for investors to get caught up in the notion that they need to chase the next market darling or trade frequently in order to be successful investors.

This couldn't be further from the truth.

Many of the attributes of successful investing boil down to patience, discipline, and having the ability to ignore market noise.

Let's take a closer look at three top tips for successful investing.

Now what?

Firstly, invest with conviction and don't change strategies at the slightest whim.

Too often I see investors caught up in the emotion of falling markets and the sensational headlines that accompany them, causing them to sell out of the market at a loss.

Or even worse, they become caught up in the hype of the latest fad hitting Wall Street or Bay Street, such as the tech boom, biotech boom, or oil boom, and invest in stocks that they know little or nothing about. Then months later they find out that many of those companies are worthless and were trading at over-inflated valuations because of market hype.

One of my preferred strategies is to invest in businesses that are easily understood, undervalued, have wide economic moats, and strong growth prospects.

A great example of this is Canada's Big Five banks. Lately, they've been sold off because of an overblown perception of risk among foreign investors. This now leaves them with some attractive valuations. An example is **Bank of Montreal** (TSX:BMO)(NYSE:BMO), which is trading with a price of only 1.3 times its book value and 10 times its forecast 2016 earnings, making it one of the most attractively priced among the Big Five banks.

However, it reported some solid first-quarter 2016 results with its profit of almost $1.1 billion being 7% higher than it was for the same period in 2015.

Secondly, invest for the long term, and that means for at least five to 10 years.

As Warren Buffett once famously quipped, "If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes."

This is an important philosophy when it comes to investing and has been responsible for the success of many investors.

You only need to look at Canada's top banks to see just how effective long-term investing can be. Over the last 10 years, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) has delivered a return of 71% for investors, and this is even after the recent sell-off of Canadian banks because of concerns over their exposure to the energy patch and waning economic growth.

Finally, don't ignore the benefits of dividends.

Dividend investing is one of the surest ways to achieving success in investing. With dividends making up about 40% of the total returns generated by the **S&P/TSX Composite Index,** the returns they generate are way too big to ignore.

Then you have to consider that many companies continue to pay or even increase their dividends, no matter the state of the economy or if their share price falls. Energy company **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) is a great example of this.

It has hiked its dividend for the last 20 years straight, and this even includes the global financial crisis when many companies were slashing or even eliminating their dividends. Now it yields a tasty 4.5%, which, in conjunction with its solid growth prospects and a wide economic moat, appears sustainable.

So what?

Sensational headlines and growing market volatility can make stock markets appear to be unnavigable, but by using the right strategies and applying them in a disciplined manner, investors can mitigate many of the risks. This should help them achieve investing success over the long term.

CATEGORY

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2. NYSE:ENB (Enbridge Inc.)
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Date
2025/09/22
Date Created
2016/03/06
Author
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