Never Run Out of Money by Investing

Description

Shopping with credit cards doesn't feel like spending money, so some people spend more on credit cards than they do with cash.

If you tend to spend more than you plan to, investing can help you save. If you set your goal to invest for your future, you can develop a habit to save and invest.

Invest early and often

The earlier you invest, the safer your investments are. Quality businesses tend to become more profitable over time. If you'd bought quality firms 10 years ago, you'd be sitting on some nice gains.

For example, you could have bought **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) for $46 per share 10 years ago, and you'd be sitting on gains of 41% today and would have collected 48% of your original investment back in the form of dividends.

Further, buying quality companies on dips will help you generate above-average returns. Bank of Nova Scotia was dirt cheap during the financial crisis in 2009 when it hit $25 per share. If you'd bought then, you would be sitting on gains of 160%.

However, riding the emotional roller coaster of the stock market becomes more difficult the lower it goes. So, for most investors, buying often and consistently over time is the way to go–that is, buy companies every quarter or every year.

You'll find that even when you don't particularly buy on dips, but you buy quality companies consistently when they are inexpensive, you'll still get satisfactory returns.

Bank of Nova Scotia's annualized return was 9.7% 15 years ago. It was 6.9% 10 years ago. Five years ago, it was 6.6%. Assuming Bank of Nova Scotia can deliver an annualized return of 6% over the next decade, if you invest $1,000 in the bank at the start of every year, you'll amass $13,971. If you reinvest the dividends, you'll get even higher returns.

If you invest consistently and regularly in a portfolio of quality dividend-growth stocks, you can build yourself a mini savings/retirement fund that generates a passive income.

Discover your unique investment style

No investor is the same. Even value investors differ greatly. Some don't buy unless stocks are substantially undervalued. Others opt to buy great businesses when they're only fairly valued. As you invest over time, you should discover your own unique investment style.

Because you don't know how you're going to react to market news or company developments, you should read about the strategies of successful investors, such as Benjamin Graham, Warren Buffett, Peter Lynch, Philip Fisher, etc., if you decide to invest in individual stocks.

Perhaps you'll adopt a style that suits you the best that combines these investing masters' styles.

Conclusion

Invest early and regularly over time in quality businesses that tend to become more profitable over time. It's best if you can buy them on dips. For dividend companies, buying on dips will boost your initial income with higher dividend yields.

It's useful to learn from successful investors and, as you gain investing experience, you should develop a style that suits you the best.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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