

3 Powerful Tips to Make You Wealthy

Description

You can become wealthier by aiming for a net positive cash flow every month. Putting it simply, the first step to becoming wealthy is to spend less than you make. After that, you can use your savings to help you generate more cash.

Here are three powerful tips to increase your wealth.

Reduce unnecessary spending

The Trading Economics website indicates the household savings rate has been about 4% so far in 2016. So, for every \$100 earned, only \$4 is saved. Typically though, you'll hear that you're supposed to save at least 10% of your income. So, for every \$100 earned, you should be saving \$10.

In any case, if you're unhappy with your current savings rate, you can identify unnecessary spending so as to increase your cash generation.

Here's how you can do it.

Record all of the expenses you make, including how much you spend and what you spend it on. Also, determine whether or not they're necessary expenses, such as food, shelter, and transportation.

For example, eating out every day and watching a movie every week are wants, not needs. You can reduce unnecessary spending by eating out once a week and watching a movie once a month instead.

Dividend investing

Dividend investing is a defensive way to invest because it increases your cash flow. You can use your dividends to pay the bills or to invest to generate more cash over time.

You'll start to see results immediately as you invest more and your income grows (instead of relying on the price appreciation of stocks that don't pay dividends, since dividends are more reliable than price appreciation if you know what to look for).

Receiving dividends periodically also helps you psychologically to hold on to stocks.

Invest in stocks with stable earnings

Stocks that tend to generate stable earnings will limit the downside. Even when their share prices fall, they'll recover quickly.

For example, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is the second-largest bank in Canada by market cap. Its earnings per share (EPS) for the fiscal year 2008 fell 15%, and its price per share fell as much as 50% during the financial crisis.

However, its EPS more than recovered to the pre-recession level within two years, and its share price recovered even quicker, recovering most of the losses within seven months.

Summary

To become wealthy, get into the habit of spending less than you make, so you'll always have a net positive cash flow every month. Then invest your savings in dividend stocks with stable earnings until retirement.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

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2. TSX:TD (The Toronto-Dominion Bank)

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