



3 Millionaire-Inspired Investing Tips From Kevin O'Leary

Description

Love him or hate him, it seems as if everybody has an opinion about the brash, opinionated television star.

Canadian viewers likely remember O'Leary from his stint on *Dragon's Den*, the hit reality show that saw rich investors put their own hard-earned capital to work in small businesses. O'Leary has since moved on from the show, but he can still be seen on *Shark Tank*, the U.S. version of the program.

O'Leary has used this exposure to make himself a true financial celebrity. He's written several books about money. He regularly appears on business television on both sides of the border. He even has a series of ETFs named after him, dubbed O'Shares. Simply put, O'Leary is everywhere.

According to various estimates, O'Leary could be worth as much as \$400 million. Even if that's exaggerated, it's still pretty obvious he knows a thing or two about making money.

Here are three of O'Leary's most important investing tips.

Insist on yield

O'Leary has a very simple rule when it comes to investing in stocks. If it doesn't pay him a dividend, he won't own it. It's a rule his mother instilled in him at a young age, telling him it was okay to spend the dividends, but never touch the principal.

One example of a stock O'Leary would likely be interested in is **Canadian Utilities Limited** ([TSX:CU](#)). The company has grown to become Canada's second-largest utility; it owns power plants, power lines, and natural gas pipelines. Approximately 90% of revenues come from regulated utility assets.

These assets deliver consistently growing earnings, which are passed on to shareholders in the form of an ever-increasing dividend. Since becoming publicly traded in 1972, Canadian Utilities has increased its dividend annually for 44 consecutive years. There's only one other company in Canada that can beat that streak.

The company is investing billions in long-term growth projects to ensure dividend growth will continue. Between 2016 and 2018 it will invest \$5.3 billion in new projects that are slated to add millions to the bottom line.

Embrace the royalty model

During his time on *Dragon's Den*, O'Leary wasn't nearly as aggressive as some of his peers in putting his capital to work. And when he did make an offer, it was often accompanied with a royalty condition. O'Leary wanted to get paid an income stream as well as having an ownership stake.

Investors can put such an investment in their own portfolio by loading up on shares of **Alaris Royalty Corp.** (TSX:AD), which has investments in 17 different companies yielding an average of about 12% before expenses.

The business model is simple: Alaris finds a deal, raises capital by either issuing shares or borrowing money, and then pays back most of the profits to shareholders in the form of succulent dividends. Shares currently yield 7.2%.

The nice thing about Alaris is the company has a diversified portfolio. Even though it is experiencing some issues with one of its largest partners, it should still be able to generate enough in cash flow to pay dividends. And it's likely Alaris will get paid back most of what it is owed; it's only a matter of time.

Diversify

Besides insisting on yield, O'Leary has another important rule of thumb. Don't let one stock be more than 5% of your net worth.

We've all heard stories of brave investors riding an oversized position in a stock to huge profits. But we never hear of the many others who bet on the wrong horse. The potential for great returns just isn't worth the extra risk.

Instead, investors should treat investing in the stock market the way O'Leary and the other sharks treat investing in small businesses. It's best to hold a portfolio of names just in case something bad happens to one or two of them.

"Mr. Wonderful" has plenty of good investing advice that can be applied to your portfolio. Even if you can't stand his demeanour on television, there's no arguing with the man's results.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:CU (Canadian Utilities Limited)

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