



How This Janitor Amassed an \$8 Million Fortune

Description

Ronald Read sure didn't seem like an extraordinary man.

After becoming the first in his family to graduate high school, he was shipped off to North Africa to fight against the Axis powers in World War II. He also fought in Italy as well as the Pacific Theater.

Read's life was hardly glamorous after the war. He held down a number of menial jobs, including working at a gas station and spending time as a janitor at **JC Penney**. He eventually settled down and married a woman with two children.

After a long life, Read finally passed away in 2014. He was 92 years old.

Even Read's family was shocked by the amount of wealth he had accumulated. His fortune was worth \$8 million — cash that was donated to a number of causes close to his heart, like the local library and hospital.

How did Read do it? Did he win the lottery? Was he bequeathed a large sum from a wealthy uncle? Nope. He did it the old-fashioned way. And you can too, by following these three tips.

Live frugally

Read was famous for his frugality. Friends remember he drove a used Toyota Yaris even after he became wealthy. He also would use safety pins to hold his jacket together and was seen cutting his own firewood even after his 90th birthday.

Frugality is an important part of any investment plan. If you don't create a huge savings rate, it's hard to really invest to make a difference.

Look at it this way.

The easiest way to potentially double your nest egg is to put more money away today. If you invested \$500 each month for 30 years at 8%, it would turn \$180,000 into just over \$734,000. If we up the initial

investment to \$1,000 per month, \$360,000 turns into \$1.47 million.

The easiest way for most people to create a larger savings rate is cut out a few things. I'd be willing to bet that most people reading this could increase their savings rate by \$500 a month pretty easily.

Hold forever

When Read's portfolio was finally revealed, one theme stood out. He loaded up on great companies and held on for a long time.

There's a reason why many of the world's smartest investors do this: it minimizes one's tax burden.

When you have as much money as Read did, minimizing taxes can mean a great deal of cash in your pocket. Say Read held 5% of his assets in one stock — a position worth \$400,000. Since he had been accumulating shares for decades, his cost base was likely far below \$100,000. If he would have sold and cycled the proceeds somewhere else, he'd be facing a huge potential tax liability.

If you look at investing that way, suddenly selling becomes far less attractive, even if a stock is overvalued.

Buy the best

Read's portfolio ended up with 95 different stocks in it with the majority invested in many blue-chip stalwarts. It might not be sexy, but it works.

Canadian investors looking to build their own fortune should do the same thing. Just put your money to work in great companies and forget about it.

One example is **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)), the telecom giant. Rogers is a well-managed behemoth that will continue to be a major player in the sector for decades to come. It trades at a reasonable — but not cheap — valuation and pays a 3.4% dividend.

Another great long-term compounder of wealth has been **Brookfield Asset Management Inc.** ([TSX:BAM.A](#))([NYSE:BAM](#)), which has quietly become one of Canada's largest companies. The wealth manager owns all sorts of interesting assets and is a master of charging fees on other people's money. It trades at just 16 times trailing earnings and pays a 1.6% dividend.

The bottom line

If Ronald Read can become wealthy after spending his adult years working as a gas station attendant and a janitor, there's no excuse for the rest of us. If you follow Read's simple tips of living frugally, holding for a long time, and investing in great companies, I like your chances.

CATEGORY

1. Dividend Stocks
2. Investing

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