



Steal These 3 Invaluable Investing Tips From a Millionaire Next Door

Description

Thomas J. Stanley and William D. Danko really opened eyes with their 1996 book *The Millionaire Next Door*.

The book pointed out that the vast majority of America's wealthy didn't live in giant mansions or drive \$300,000 Lamborghinis. They were regular folks just like you or me who worked average jobs. They were teachers or plumbers, not high-powered business tycoons. They were just really good at saving.

I recently spent some time with Jerry, a true millionaire next door. On the surface, he's not a very impressive guy. He wears beat-up, old work clothes almost everywhere. His car is likely older than yours. And his house is certainly no bigger than average.

Still, Jerry has amassed a \$2.5 million dollar fortune — without going to college — despite only recently celebrating his 50th birthday. He has a goal of hitting \$5 million by the time he's 65.

Jerry attributes his success to three main factors that are as simple as they are powerful. They're too good not to share.

Live frugally

Jerry has always made sure to put himself in a situation where it's easy to save.

He started off sharing a house with three co-workers. Jerry was on the lease, and he charged the three of them enough to pay for the rent and the utilities. He lived for free.

After Jerry got married, he and his wife made sure to buy a house they could easily afford. They also saved money by eating almost every meal at home. When they wanted an outing, they'd go to a friend's house or organize a potluck. And despite pressure to put his kids in every activity imaginable, Jerry told each of his children to pick one sport each.

Jerry's goal was to save 50% of every dollar he made after taxes. It was a sacrifice, but it's one he'd gladly make again.

Pick a smart career

Even before his 18th birthday, Jerry had experienced the ups and downs of Alberta's energy sector. His father worked in oil for years, and his family often struggled during lean times.

Jerry vowed to get into something that was more steady. After a summer helping out a plumber, Jerry was hooked. He entered the apprenticeship program, and four years later became a journeyman plumber. After a decade working for someone else, he started his company.

Plumbing did have a few ups and downs, but it was good, consistent work. Jerry slowly expanded his business over the years and now has a half-dozen employees.

Invest in sound stocks

After an ill-fated "can't miss" mining stock took most of Jerry's savings as a 21-year-old, he vowed to invest smarter. He discovered dividend investing and was hooked.

These days, Jerry earns enough from dividends to easily maintain his lifestyle. His goal is to collect six figures each year from dividends by the time he's ready to retire.

One of Jerry's favourite dividend stocks is **National Bank of Canada** ([TSX:NA](#)), which he likes because of its Canadian focus and its persistently cheap valuation. Shares currently trade hands at just over 10 times 2017's projected earnings and pay a 3.8% dividend. Dividend growth over the years has been fantastic as well.

The other reason why Jerry likes National Bank is because it has somewhat lagged its peers over the last five years. He's a big believer in stocks eventually reverting to the mean.

Another favourite stock of Jerry's is **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)). Jerry is a big fan of Prem Watsa, Fairfax's CEO, who has used Warren Buffett-inspired thinking to build one of Canada's top insurers. He also likes Fairfax's current strategy of using low interest rates to finance acquisitions. It recently agreed to pay US\$4.9 billion for Allied World.

Fairfax shares currently trade hands at \$624 each, which is close to a 52-week low. After recent write-offs, book value is approximately \$540 per share. Getting Fairfax at just 1.15 times book value is a smart buy.

Jerry is heavily invested in both stocks and has recently been buying more of each.

It doesn't have to be hard to get ahead. Just follow Jerry's lead and make smart money decisions and then invest aggressively. We can help with that last part.

CATEGORY

1. Bank Stocks
2. Dividend Stocks

3. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:NA (National Bank of Canada)

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