



## This Is The Best Way To Make A Million

### Description

Building a portfolio worth seven-figures is the goal of many investors. However, achieving it is not often a straightforward task. There are a large number of challenges and pitfalls which can hurt portfolio returns and lead to a lower overall valuation.

However, this does not mean that becoming an investment millionaire is beyond the reach of almost any investor. Here is how an investor could go about building a seven-figure portfolio from scratch.

### Expected returns

Clearly, generating a portfolio worth seven-figures will take time. However, a powerful weapon available to investors is the compounding of returns. This means that even a relatively average annual return in the high single-digits can lead to large returns over a long period of time.

As such, rather than seeking to take large risks with investments in the hope of high returns, it may instead be prudent to focus on companies which offer consistent growth. This may not lead to overnight success, but it could increase the chances of high returns in the long run. This is not only from the possible impact of compounding, but also from the lower probability of loss which comes with investing in lower-risk stocks.

### Strategy

Clearly, there are a multitude of investment strategies available to investors. Perhaps the most important fact to consider is that different strategies and types of stocks work well at different points in the economic cycle. For example, growth strategies tend to offer high returns during periods of strong economic growth, while value investing has historically performed relatively well when the macroeconomic outlook is more challenging.

Therefore, it can make sense to own a mix of shares which have the capability of performing well in a variety of economic scenarios. For example, it can be prudent to own cyclical stocks as well as defensive shares. This could help to improve long-term returns, and also may mean lower volatility

during difficult periods for the wider economy.

## Risks

While risks can never be fully eliminated, buying shares in a company which has a strong track record of growth, a sound balance sheet and logical strategy could be the best means of improving an investor's risk/return ratio.

Of course, there may be times when taking more risk is desirable. For example, history shows that buying shares during recessions can prove to be a sound means of generating high long-term returns. Certainly, there is a greater risk of loss – especially in the short run. But for those shares which offer a wide margin of safety, their risk/return ratios may indicate that buying is the logical step to take.

## Mindset

While focusing on strategy, risks and returns is clearly an important part of investing, so too is adopting the correct attitude. It is all too easy to become emotional towards companies and to get disheartened when disappointments and losses arise. Likewise, losing discipline during periods of loss is a common pitfall for investors. However, by focusing on the long term and on the optimum allocation of capital, it is possible for almost any investor to generate a seven-figure portfolio.

## CATEGORY

1. Investing

## PARTNER-FEEDS

1. Msn
2. Newscrd
3. Yahoo CA

## Category

1. Investing

## Date

2025/08/27

## Date Created

2017/05/25

## Author

peterstephens

default watermark