



3 Steps to Retire Rich

Description

Even with many stories available about young investors making substantial amounts of money in new industries as they emerge, the reality for most is that retiring comfortably or wealthy usually takes a very long time and a lot of due diligence.

The good news for those with time on their side is that the likelihood of retiring rich is very high as long as each investor is following the three most important steps. The first step to retiring rich is to save money on a regular basis. To build a sizable portfolio or net worth, it is critical to save money on a monthly basis at all stages of life, allowing for a larger nest egg for the next step.

The second step to becoming very wealthy is doing the “heavy lifting,” which means researching and buying securities that have a significant amount of long-term upside potential for investors.

Currently, there are a number of companies that fit these criteria. At a price of \$14, shares of **Home Capital Group Inc.** ([TSX:HCG](#)) offer investors upside of more than 50%, assuming the company will again trade for the value listed on its balance sheet. A second name with less risk to consider is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). At less than \$110, CIBC offers investors a dividend yield of 4.75%, while being in the unique position of maintaining the highest returns on equity (ROE) of any of Canada’s major banks. With a recent acquisition south of the border, shares of this bank are primed to see growth for the next decade to come.

After selecting attractive securities at reasonable prices, the third and most important step is for investors to remain patient. Those trading in and out of securities frequently will run the risk of selling too soon and missing out on a significant amount of long-term profits. Instead, it is the long-term investors who (without realizing it) become very wealthy over time.

Case in point: **Dollarama Inc** ([TSX:DOL](#)).

Investors have reaped the benefits of a significantly large number of transactions in the dollar stores. Since the initial public offering in 2009, shares have increased by close to 1,300%. With a focus on increasing their store count from approximately 1,000 stores to a total of 1,800 in the near future, shares still have a very long way to go before becoming a dividend aristocrat for income investors.

Although these three steps seem very simple at face value, the truth is that wealth is rarely accumulated over a lifetime without doing a number of things correctly — good savings habits are only the start. Following that, finding the best opportunity to allow one's money to grow is the most important step for investors. The final step is to exercise patience or simply forget about a fantastic holding for a long period of time.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:DOL (Dollarama Inc.)
4. TSX:HCG (Home Capital Group)

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