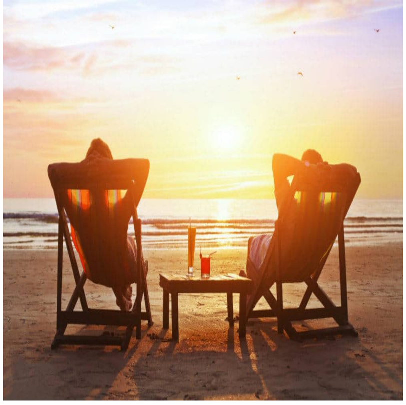

Want to Retire Wealthy? Do These 3 Things

Description

Enjoying a wealthy retirement is a goal of most, if not all, investors. While buying stocks in the FTSE 100 or S&P 500 could improve your chances of generating significant retirement savings, focusing on the best companies in an index is likely to move the odds even further in your favour.

With that in mind, here are three ways that you could improve your chances of finding the best investment opportunities within the stock market. By doing so, you could improve your chances of retiring with a significant nest egg.

Sector focus

It is difficult for any investor to be an expert in all sectors. For example, the key drivers of the mining industry are vastly different to those of the retail sector or the pharmaceutical sector. As such, it may make sense for an investor to pick a relatively small number of industries where they feel they may be able to gain a competitive advantage over their peers. This could allow them to spot undervalued opportunities, or companies which may not be widely-known among other investors, but that are performing well from a business standpoint.

Of course, gaining exposure to a wide range of sectors within a portfolio is also a logical move. It can be risky to only invest in specific sectors, after all. As such, a stock-tipping service that covers a wide range of sectors such as that offered by The Motley Fool could be useful in generating high levels of investment performance.

Discounted stocks

Buying a stock can be undertaken for a variety of reasons. An investor may be bullish about the growth potential on offer, or the company may have a strong management team, for example. However, the most appealing reason in the long run for buying any stock is that it trades below its intrinsic value. In other words, it offers a discount to what it is worth. This could create an opportunity for an investor to generate higher returns than for a fully-valued company. It may also provide some support in case a difficult period is experienced by the stock in question.

Buying undervalued stocks is not a particularly complicated style. This fact seems to dissuade many investors from pursuing the strategy. However, since it stacks the odds further in an investor's favour, it could lead to high returns in the long run.

Fundamentals

Since the FTSE 100, S&P 500 and other major indices are in the midst of a bull market, it is easy to focus on growth potential. While this is a valid area to consider, a company's fundamentals remain the most important area for any investor to concentrate on. Factors such as debt levels, free cash flow and return on equity should all point to a healthy outlook for a stock before it is purchased. Otherwise, buying high-growth stocks which have weak fundamentals could lead to severe losses when the next recession arrives.

Clearly, finding the best businesses to buy is never an easy task. But by focusing on valuations, fundamentals and specific sectors, it is possible to enjoy a financially-free retirement.

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