



Investors: Here's My Best Tip for Getting Rich

Description

Financial independence is a worthwhile goal this analyst thinks everyone should strive for.

There's nothing more satisfying than waking up in the morning knowing you don't have to go to work that day. Total freedom is an intoxicating drug. It's little wonder why most financially independent folks end up giving up their 9-5 jobs; the whole world is your oyster when not encumbered by a typical career.

What people struggle with is how to get there. This article will help. Let me share with you the best piece of advice I've gotten — something almost universally shared by the financially independent folks I've encountered over the years.

Buy quality investments

The refrain is always the same. These folks advocate building a diverse portfolio filled with the finest Canadian companies, blue-chip investments that pay generous dividends.

I once had the pleasure of meeting a millionaire plumber from Calgary, a man who had built up a \$2 million portfolio by his 50th birthday. Henry's method was as simple as it was powerful — he lived frugally, saved a big chunk of his income, and put his money to work in tried-and-true investments like Canada's banks, telecoms, and pipelines.

As soon as his passive income surpassed his active income, he negotiated part-time work. He's now retired making six figures annually in passive income from a portfolio approaching \$3 million — not bad for a guy who hasn't reached 60 yet.

There's no rule saying you can't get rich owning more active investments. We all know a landlord or two that quietly accumulated a nice real estate portfolio. But there are issues owning those kinds of investments. They take work to maintain and can only be easily converted to cash if the underlying market is feeling cooperative. This is why I'm a big fan of owning a [diverse REIT portfolio instead](#).

Which stocks should you own?

Investing doesn't have to be complicated. Here's what I do: I load up on Canada's finest companies when shares are on sale. And then I sit back, relax, and let compounding do its magic.

One stock I've been buying recently is **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), Canada's most international bank. Most folks know about the company's operations here at home. It's hard to miss them with a branch seemingly on every corner.

But few are aware of the company's massive expansion effort into Latin America. Its assets in nations such as Chile, Colombia, Mexico, and Peru contribute about a third of the total bottom line with much better growth than the Canadian operations. International earnings grew by 16% in 2018 versus 8% growth in the Canadian operations.

We know banking is a wonderful business, and I'm confident Scotiabank can repeat its Canadian success in Latin America. The other important factor is shares are on sale today, trading at less than 10 times forward earnings expectations. And investors are paid a 4.7% dividend to wait — a payout that should grow by 7-10% annually going forward.

Another great stock to buy over the long term is **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)), one of the largest owners of renewable energy assets in the world. Top holdings include hydroelectric plants in places like Canada, the United States, Brazil, and Colombia, wind farms off the coast of Europe, and various other eco-friendly assets.

At first glance, shares don't appear particularly cheap. The company's P/E ratio is an eye-popping 239. But it's much more reasonable on a price-to-funds from operations perspective, which checked in at US\$2.16 per unit in 2018. Shares trade hands at a little over US\$31 on the NYSE, giving us a price-to-funds from operations ratio of around 15.

The company pays a generous 6.3% dividend — a payout that is well covered by earnings. Management has stated they wish to increase the payout by 6-9% a year, which has happened over the last decade. I'm confident the company can continue to deliver solid results for decades to come.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)

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Date

2025/07/06

Date Created

2019/04/15

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