How to Invest in Your 40s

Description

Investing in your 40s is a critical time. It's also a difficult balancing act. You may have several recurring expenses and overlapping savings goals with different time frames, some near term and others decades away. Fortunately, there are three valuable tips that can keep you on track while helping you protect *and* grow your nest egg.

Your portfolio will thank you for following the best practices below.

Avoid bear markets

Most investors are focused on making as much money as possible during a bull market. However, avoiding bear markets is just as important. In a matter of months, bear markets can erase years of gains. If you can side-step market-wide downturns, your money can compound at ridiculous rates.

The trick is to tap into bull markets without leaving yourself exposed to market volatility. To do this, pay close attention to each stock's business model. **Enbridge** (TSX:ENB)(NYSE:ENB) is a great example.

Enbridge operates pipelines that serve mission-critical areas throughout the U.S. and Canada. Often, their customers have no other choice than to use their infrastructure. That's created impressive pricing power. It also allows Enbridge to lock customers into contracts that can span a decade or more.

Most of these contracts are volume-based, not pricing-based, so when oil prices fluctuate wildly, Enbridge still makes the same profit. In 2014 when oil prices crashed, the value of this stock actually *rose*. Due to pipeline shortages, the company should continue to grow earnings, pay a 6% dividend, and protect your portfolio from value-destroying bear markets.

Don't forget growth

As many investors approach retirement, they start to scale back their portfolio risk. This is a mistake. Even if retirement is just 10 years away, you'll likely need to rely on your investments for decades to come. That's plenty of time to remain opportunistic and take prudent risks in exchange for long-term upside. **Fairfax Africa Holdings** (TSX:FAH.U) is a perfect example.

Fairfax Africa is managed by **Fairfax Financial Holdings**, which is run by Prem Watsa, often referred to as Canada's Warren Buffett. Watsa is one of the greatest investors of our time, amassing 17% annual returns since 1985. Only the likes of Warren Buffett can match that track record.

Fairfax Africa is his dedicated investment vehicle that targets high-growth opportunities on the African continent. Watsa's deep network of local investors and entrepreneurs ensures him plenty of deal flow. Because many of these deals are private, Watsa often pays rock-bottom prices.

Watsa remains very bullish on the company, recently writing that the "intrinsic value continues to build in Fairfax Africa and is much higher than the current stock price." This could be a multi-decade winner.

Go international

Fairfax Africa will give your portfolio some international exposure, but there's plenty more exposure that you're likely missing. Establishing a global portfolio is hugely important, especially if you live in lower-growth areas like North America. **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP) is a one-stop shop for building exposure abroad.

Brookfield Infrastructure acquires and builds projects around the world, with meaningful revenues coming from Asia, Europe, and the Americas. Its assets serve critical functions in society, including railroads, highways, seaports, and airports. Energy infrastructure is another big focus.

These assets are recession-resistant and resilient against inflation. Those are two great portfolio characteristics to have in your 40s. The international exposure is almost a bonus, not to mention the 4.7% dividend.

CATEGORY

1. Dividend Stocks
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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:ENB (Enbridge Inc.)
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rvanzo