



## How to Be a Better Investor

### Description

If you're a good investor, you can achieve the realistic financial goals that you set out for yourself and maybe even beat them. You can ensure to get overall results that are more than satisfactory.

Here are a few tips to make you a better investor.

### Invest in businesses

Earning interests from GICs or bonds is typically much lower risk than investing in stocks, but you'll also get lower returns. If you're serious about making outsized returns on your investments, you should focus on investing in a diversified portfolio of quality stocks. In other words, invest in quality businesses.

When you've chosen a quality business to put your capital in, you're not going to trade in and out of it because the best returns come from time in the market.

Your core portfolio should consist of businesses that consistently improve their profitability over time. When the market gives you the opportunity to buy this type of stocks on the cheap, take it!



Right now, **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) [trades at a colossal discount](#) from what it's worth and offers a tempting and secure yield of 5%. By buying the stock at a big discount, you've greatly reduced your risk in the investment *and* boosted your returns potential at the same time!

It's just a matter of time before the safe bank stock will revert to the mean and deliver outsized returns. Assuming it takes the stock three to five years to revert to the mean, it'll deliver total returns of about 13-16% per year. That'd beat the average market returns of 10% by a mile!

Some investors may say that Scotiabank underperforms some of the other big Canadian banks for a reason. That may be true for certain time frames. That's why you should time your investments (i.e., take advantage of buying opportunities given by the market). And I believe, currently, BNS stock is such an occasion.

## Take advantage of short-term trading

This point sounds like it contradicts with the previous point, but different stocks require a different strategy. There are stocks that you can invest for the long term, and there are stocks that you trade. Needless to say, short-term stock trading is higher risk and is not suited for everyone.

For example, many energy stocks are [really cheap right now](#). The problem is, investors need to filter carefully and determine which are the best opportunities to invest in and make sure to avoid the ones that are overleveraged with businesses that underperform.

Early this month, after studying **Birchcliff Energy** ([TSX:BIR](#)) and its peers, I added to my position in the stock as a value play and for what I believed was a safe yield of 4%. The stock is already up 16%, and according to analysts, it still has 76% to go!

The sentiment for oil and gas stocks, including Birchcliff, can change very quickly without warning. Therefore, investors should have an exit plan with price targets in place to take action promptly as needed.

Scotiabank allows me to set up custom alerts that send me email notifications for certain events that have occurred on a stock, such that I can take action (or not) depending on the situation. These alerts are very useful, especially for volatile stocks such as Birchcliff that I don't plan to hold for a long time.

## Continuous learning

The more you learn, the better your investing results should be. Continuous learning includes reading, applying, and combining and reflecting on your knowledge and experiences. Some topics to ponder or study include good management, risk management, financial accounting, value investing, growth investing, and technical investing.

## Foolish takeaway

Stocks can generate greater long-term returns than GICs and bonds. However, before you invest in a

stock, understand how the underlying business makes money and decide if the stock is suitable for long-term investing or short-term trading. If it's a stock in the latter category, ensure you have an exit strategy including potential price targets to sell at.

Continue learning and applying as much as you can. The more topics you cover, the more dots you can connect. Know that the market can be wrong sometimes. So, be patient with your holdings.

## **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

## **TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:BNS (Bank Of Nova Scotia)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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