The Easiest Way to Get Rich and Retire a Millionaire

Description

Making a million from the stock market does not necessarily need to be a time-consuming affair.

Certainly, researching companies and seeking to unearth the most appealing opportunities based on risk and reward requires some effort on the part of an investor. However, the track record of the stock market shows that a buy-and-hold strategy generally pays off.

Major indices such as the S&P 500 and FTSE 100 may have experienced bear markets at various times in their histories. But long-term holders of diverse portfolios have generally been able to grow their wealth at a relatively fast pace.

As such, regular investing in the stock market and adopting a long-term holding period could be the easiest means of increasing your wealth.

Regular investing

Many sharedealing providers offer regular investing services that not only cut the cost of buying stocks, but also lead to reduced effort being required from an investor. Setting up a regular investment in a specific stock or group of stocks is straightforward, and then requires minimal management from an investor.

Over the long run, regular investment can provide investors with the opportunity to benefit from the volatility of the stock market. In other words, regularly investing in stocks means that you will inevitably capitalise on bear markets and pullbacks experienced by the wider market. This could mean that you are able to buy stocks when they offer wide margins of safety due to wider fears surrounding the economy, with the end result often being a recovery over the following years.

Buy-and-hold

While some investors may seek to buy and sell stocks in quick succession, adopting a buy-and-hold strategy could be an easier and more profitable strategy. It requires far less effort, since an investor is not continually searching for new places to invest their capital. In addition, it allows you to capitalise on the long-term growth prospects offered by the wider stock market.

For example, the S&P 500 traded at around 100 points 40 years ago. Today, it trades at approximately 30 times that level. Investors who simply bought a diverse range of stocks and held them during that time are very likely to have recorded high levels of capital growth. By contrast, investors who sought to buy and sell stocks more frequently may not have produced higher returns in compensation for the additional effort required.

Reinvestment

While it may be tempting to spend the dividends received on your investments in the stock market, reinvesting them could be a better idea. Many sharedealing providers offer an automatic reinvestment option that requires minimal effort from an investor. Doing so could also be cost-effective, while producing cash flow that can be used to capitalise on lower valuations across the stock market.

Takeaway

Regularly investing in stocks and holding them for the long term could be an effective and highly profitable strategy. It may not be as exciting as buying and selling stocks regularly, but it could significantly increase your chances of making a million.

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