The Best Investment Style to Help You Earn $1 Million

Description

Making $1 million or more out of your investments is an ambitious target, but it can be done with careful planning, diligent research, and a strong sense of self discipline. On top of all those intangibles, you will also need a great investment strategy.

Many investors may wonder what the best investment strategy is that will give you the highest possible chances of growing your money to the elusive $1 million mark.

The first and one of the most common investing styles is value investing. That's what Warren Buffett is famous for, and his easy-to-understand tactics and repeatable strategy have given his investment style millions of followers.

The next investing style is income investing, where investors' primary goal is to receive passive income each month and quarter, and compound that to grow it as fast as possible. At first the compounding won't seem like much, but once the portfolio has built a lot of momentum, the compounding will increase rapidly.

Then, of course, there is growth investing, which many investors may think is the best way to get to $1 million, because of the massive returns you can make. It seems obvious that trying to find stocks that will grow +1,000% may be the best strategy, but is it?

The best strategy is actually a combination of all of them to diversify your portfolio but also diversify strategies. Each investment style, while they have a number of positives and advantages, also have some setbacks.

Furthermore, each style has better and worse periods of performance during the economic cycle, so adding diversification will help you to mitigate that and will allow you to shift your portfolio weight when necessary.

For example, value stocks tend to perform best as the economy is coming out of a recession and as the market is starting to recover from a long-term bear market. Basically, every stock gets beat up to some degree during a market crash, and the best companies whose stocks have fallen well under value are usually the first to perform well.

As the economy continues to grow, and the stock market is on a bull run, that is when growth stocks usually outperform the market. Growth stocks benefit from a growing economy as well as growing investor sentiment, which gives the stocks growth premiums they didn't have before and significantly increase the value of their shares.

As the market is peaking and investors get worried about a recession, that's when defensive and income stocks perform the best and keep a portfolio stable while other stocks see increased volatility.

So, using a combination of the three strategies and just changing your strategy allocations as the economy moves through its cycle is the best way to grow your capital.

Although you may keep this in mind, it will be all for not if you aren't picking top stocks to invest in, such as **Dollarama** (TSX:DOL).

Dollarama will mostly be classified as a growth stock, although it can be considered a defensive stock, because of the nature of its business; it's a discount retailer and sells consumers inferior goods — the demand of those goods rises in a recession.

Its growth over the last decade has been exceptional, and although its growth in Canada will be minimal now that it already has such massive reach, the growth opportunities have shifted to its newest development, Dollar City, a chain of dollar stores in Latin America.

The numbers show how impressive it has been. Its trailing 12-month sales have grown by a whopping 25% since 2017, while keeping its margins consistent, which has helped it to grow its bottom line considerably.

With its stock coming down off its highs in August, it's now offering investors a nice entry point to get exposure and start to build your ideal portfolio.

The bottom line is that balancing different strategies and making sure you are well diversified are two key steps for any investor trying to grow their portfolios, especially if your goal is $1 million.

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