



3 Stock Investing Tips That Could Make You a Millionaire

Description

Many of us wonder how to be a successful stock investor and create wealth on consistent basis.

First, let's dispel the impression that there is a quick way to make millions from the markets. Investing in stocks successfully requires a long-term approach and patience. After my two decades of experience of analyzing stocks and personally investing in them, I strongly believe that successful investors become partners in companies and remain invested over the long horizon.

The world's most successful value investor of our times, [Warren Buffett](#), has a similar approach to investing. He finds value in the companies whose stocks are depressed but whose underlying businesses are strong. Here are my three tips to help you make investing easier and profitable.

Find value in stocks

If you want to build a portfolio that could give a lot of passive income, you can follow a simple value investing style. You can buy stocks with wide economic moats and that are undervalued due to some short-term factors. By identifying such stocks and investing in them, you can build a portfolio that has the power to give your regular returns in the shape of dividends and capital gains.

Canadian banks, for example, are great income producers for long-term investors, and they have very diversified operations. **Toronto-Dominion Bank**, for example, makes 30% of its income from the U.S., where it's among the largest 10 lenders. By buying its stock when its value is down, you could stash a great income stock in your portfolio.

Invest in dividend-growth stocks

[Dividend-growth stocks](#) are your best and safest bet in this environment. Start building your portfolio early and invest each month. Adding the best dividend stocks and then continuing to buy more of them from your dividends will produce a powerful savings tool for you. These stocks generate rising income that increases your purchasing power and protects you from inflation.

For retirees and others who want to supplement their cash flow, dividend-growth stocks can be an excellent choice. According to *Globe and Mail* investment writer John Heinzl, “The frequent cash payments satisfy my desire for instant gratification, and the gradual dividend increases and stock price gains reinforce the principle that investing is a long-term game, not a contest to see who can make the most amount of money in the shortest period of time.”

In Canada, the biggest dividend-growth stocks are banks, gas and power utilities, real estate investment trusts, and telecom operators.

Pick the top names from these sectors and hold them over the long run. These companies distribute huge amounts of their income in dividends, and they grow these payouts every year as their profits rise.

Re-invest your dividends

Once you have set up a portfolio, which regularly generates cash in the shape of dividends, the next step is to keep re-investing your profit back and buy more shares. This step will unlock the power of compounding — one of the most important components of a successful long-term investing plan.

A disciplined investment approach, picking solid dividend-paying stocks, and holding them for a long time are the key components of your journey to become a successful stock investor. When you combine this approach and use tax-free savings vehicle, such as TFSA, you’re most likely to achieve your financial goals.

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Author

hanwar

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