



How to Get Rich From Stock Investing

Description

Getting rich from stock investing involves buying stocks and selling them at higher prices. You can also earn substantial income from holding dividend stocks versus getting minuscule interest income.

However, stock investing is not easy. Other than having the knowledge and vision to buy the right stocks, luck also plays a role, especially if you're looking to get rich quickly by trading in and out of stocks.

If you have a long investment horizon, more luck will be on your side, given that your investment thesis is correct.

How to get rich quickly with stocks

You can get rich quickly. Some people do day trading or frequency trading. The kind of "quickly" I'm talking about is trading in and out of stocks within a year.

Nonetheless, this is still more speculative and uncertain than long-term investing. It requires the market to cooperate² and therefore is a riskier endeavour.

Here's an example. **Brookfield Business Partners** ([TSX:BBU.UN](#))([NYSE:BBU](#)) has a track record of delivering extraordinary long-term returns. It aims for annualized returns within the ballpark of 15-20%! Because of [the nature of its business](#), though, its stock price can experience pretty wide swings.

Since it's a business I'm confident in and know was worth more than where it was trading then, I bought shares in the volatile stock in late July. Some of those shares have already appreciated 22% in less than two weeks!

It's possible to get rich quickly with this kind of stock, but it requires you to seize the buying opportunities provided by the market. Then the market needs to cooperate by bidding up the shares within a reasonable time frame after you buy them. And you need to take action and take profit decisively when the opportunities arise.

Since the average long-term market returns are approximately 10% for the U.S. market and roughly 7% for the Canadian market, making 22% in two weeks is a big deal.

This kind of stock investing requires more effort on the investor's part to watch and trade a group of stocks that he's familiar with.

Here's another way to get rich from stock investing.

How to get rich from stock investing (the laid-back way)

The following stock investing strategy doesn't require price appreciation for you to get rich. The goal is to get high but safe dividends, but you'll get price appreciation from these stocks, too. While you wait, you'll simply get nice returns from period dividend income.

For example, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) currently offers a decent dividend yield. In a normal market, it'd be a gift to buy the quality bank for a 4% yield. Today, the bank provides income that's 23% greater with a 4.9% yield.

Similar to its big Canadian bank peers, TD Bank set higher provisions for credit losses in anticipation of greater percentages of bad loans due to the widespread disruptions from the COVID-19 pandemic. This, in turn, dragged down its earnings for the year.

As a result, the bank still trades at a discount of about 20% from its normalized levels. Now is therefore a good long-term entry point for buying TD stock.

The North American banking leader has what it takes to maintain its dividend during this stressful period. It will also eventually recover from this and resume dividend growth.

The Foolish takeaway

Investors can [get rich quickly](#) from buying low and selling high in a selective group of stocks they're familiar with. However, this requires more work and is arguably riskier, because it asks for near-term cooperation from the stock market.

Getting rich with dividend stocks is a safer strategy when you focus on solid dividends. Because interest rates are so low right now, investors will get rich quicker if they invest for income from blue-chip dividend stocks like TD stock. In all likelihood, they'll also enjoy long-term price appreciation from these stable dividend stocks.

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BBU.UN (Brookfield Business Partners)
4. TSX:TD (The Toronto-Dominion Bank)

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