The No. 1 Difference Between Rich and Poor Investors

Description

Canada had about 1.3 million millionaires in 2019. While that number was supposed to grow, the way 2020 is going, chances are that the number probably shrank a bit. Not all of these people probably grew or gathered their wealth with investment, but there is a high probability that they invest in order to keep their wealth growing now that they have it.

People who haven't yet hit the million-dollar mark, or even the number they were aiming for with their investments, think of millionaire investors are rare unicorns — a rare breed that knows how to read the market and choose stocks in a very different way than most of us do. More pragmatic people think that wealthy investors got rich because they had too much capital to begin with.

But research conducted at Yale School of Management and the University of Toronto has highlighted another significant difference.

Rich investors' edge

About two-thirds of the wealthy investors that were questioned for the study had a financial advisor of some sort. When these wealthy investors were asked how they decide what portion of their investment portfolio should be made up of equities, most of them replied that their decision is influenced by their financial advisor's advice.

This is one of the clear advantages that wealthy investors seem to have, but there is an annoying cause-effect relationship. Most wealthy investors *have* enough capital to spare on professional financial advice, whereas the majority of "poor" investors don't. But according to this study, that's what you might be missing for adequate growth of your portfolio.

But it's not that simple. For one thing, financial advice might not be as expensive as you might think, especially if you are working with an advisor who takes a percentage of your portfolio. A smaller portfolio would result in fewer fees, but most such advisors might have a threshold for the minimum asset worth.

Alternatively, you can get educated about investment. The more time you spend learning about investment would result in less time worrying about your portfolio's health and growth.

The right investment

Whether you choose the right investment on your own or the advice of a financial expert, it can do wonders for your portfolio. One such example would be **Cargojet** (TSX:CJT). If you had invested $10,000 in the company in January 2010, you'd now be sitting at about a quarter of a million dollars, $332,000 if you reinvested dividends.

It's still one of the best growth stocks there are on the **TSX**, but right now, it might be too overvalued. It also pays dividends, but the yield is too low to be a deciding factor. Despite its overvaluation, the company would have been a good buy if it wasn't riding the post-market crash wave of unusually rapid growth. But it grew almost 200% since its lowest valuation in March.

Foolish takeaway

The right investment can do wonders for your investment portfolio, but you can't wait around for the perfect bet to become millionaires. If you are not inclined towards getting professional financial advice, learn and diversify.

Diversification would (hopefully) prevent you from losing a sizeable portion of your wealth, and learning about investment. Different equities just *might* help you find the investment that can catapult your portfolio's growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

PARTNER-FEEDS

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2. Koyfin
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