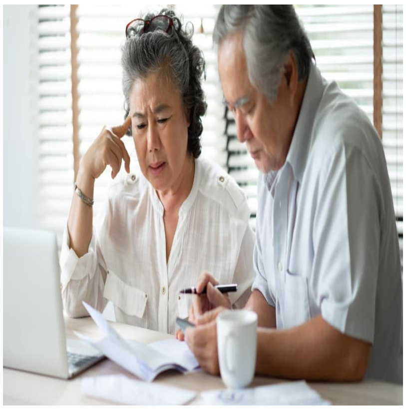


3 Stock Tips to Help You Make Money and Prevent Losses

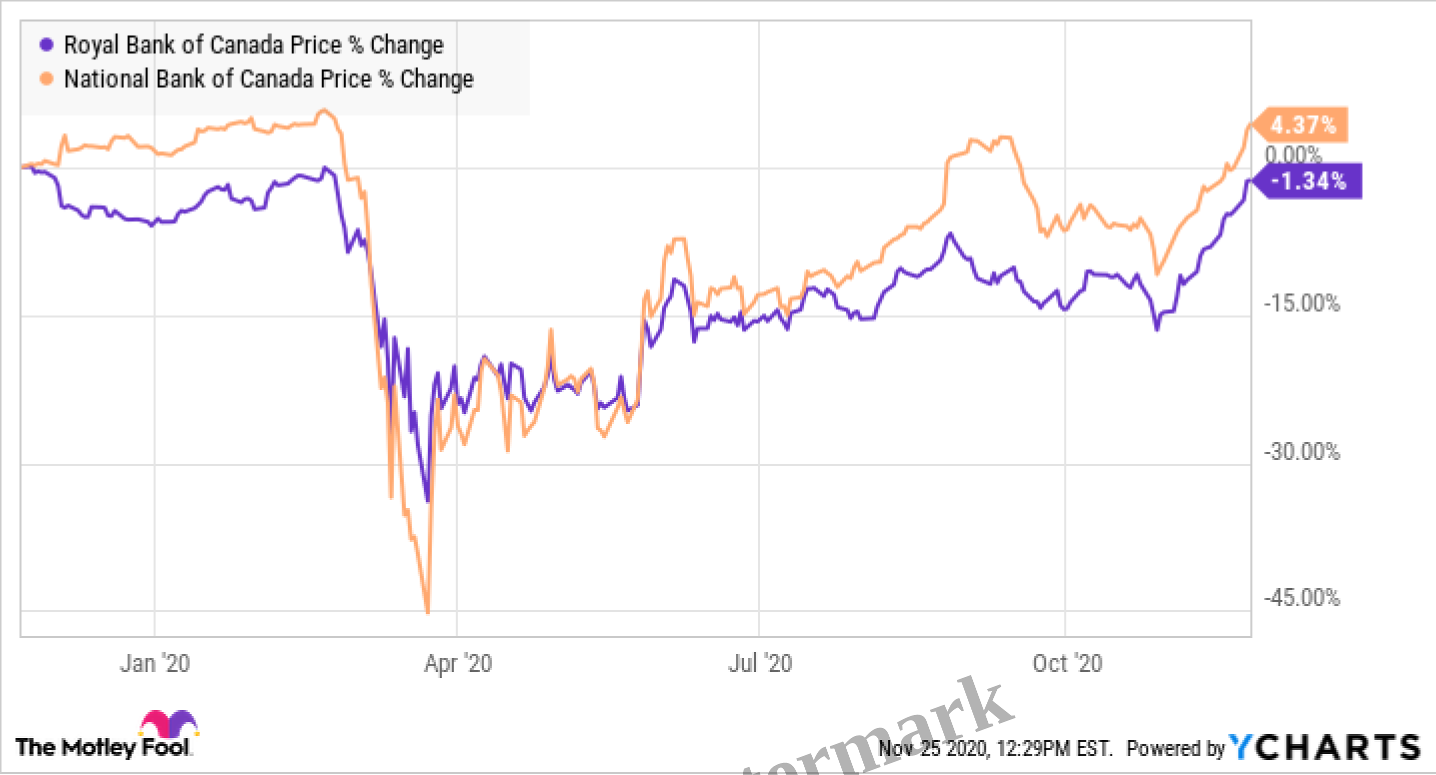
Description

Some people think stock investing is gambling because you never know if a stock is going up or down in the next day, month, or year. Certainly, some stocks are particularly volatile and have a bigger portion of investors who aim to trade them for quick profits.

Here are a few tips to increase your odds in stock investing for a higher success rate.

Watch the valuation

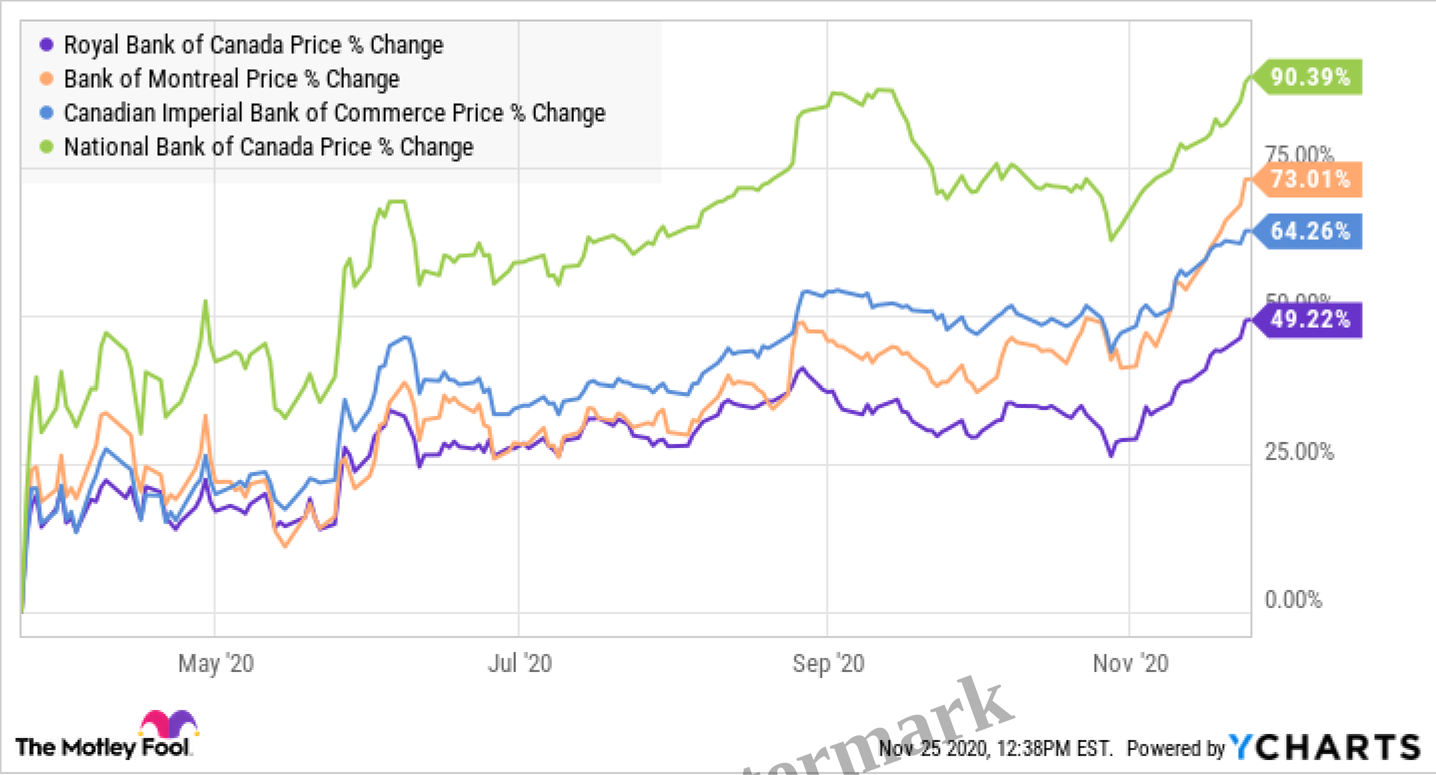
You want to buy stocks at a discount. There are different ways to determine the intrinsic value of a stock. It depends on the earnings stability of the business, the quality of the business, and what multiple it normally trades at. There can also be factors that trigger multiple contraction or expansion.



Data by YCharts. A comparison of the price action of RBC stock and NA stock in the last 12 months.

For example, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) can be viewed as the highest-quality of the Big Six Canadian banks. It experienced the least volatility during this wide-economic impacted pandemic year, while it was the best performer, in terms of stock price, second only to **National Bank of Canada**.

The Big Six banks were all on sale in the March market crash. Because of the bigger selloff in National Bank, **BMO**, and **CIBC** stocks, they have all outperformed RBC stock from the low.



Data by YCharts. 3 Big Canadian bank stocks outperformed RBC stock from the March market crash low.

Investors should keep in mind that returns are not equal. Royal Bank may deliver lower returns but the stock is less volatile due to its quality and diversified business mix. You would make money in the long run by buying any of the Big Six banks in corrections because they're all considered to be quality businesses and make multi-billion dollar profits every year.

Cineplex stock doubled investors' money fairly quickly from $5 to $10 per share recently. Some may think in hindsight that that was easy money. But first, investors need to have captured the bottom. That's not so easy to do. Second, they would need to have taken the risk in business that could go bankrupt.

Earn dividends

You probably have better uses for your time than to watch the stock market all the time. Buying stocks that provide safe dividends when they're discounted is a good way to earn consistent returns from passive income with little portfolio management required.

Currently, fairly valued RBC stock provides a safe 4% yield. Even during this pandemic that has wide impacts from economic shutdowns, the bank still churns out sufficient earnings to protect its dividend. RBC's trailing 12-month payout ratio is 55%.

No matter what, from an investment today, investors would secure a consistent return of at least 4% every year from RBC. Moreover, RY stock will grow its dividend over time at a rate that’s faster than inflation.

Choose businesses that grow in most years

No matter which stocks you invest in, you should select underlying businesses that tend to grow their profits. A growing business will help offset the mistake of paying a little too much for a stock. This tip would make oil and gas producers and mining companies non-investable in general.

The Foolish takeaway

Never look at an investment from only a returns perspective. What’s the risk and downside?

Safe dividends are paid out from mature businesses that churn out lots of profits. By buying discounted stocks that pay out safe dividends, you should be able to manage your stock portfolio with little effort every year.

Choose businesses that tend to increase their profits every year.

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