Getting Started in Investing? This Is How You Become Successful

Description

Investing can be an intimidating venture. For some, it can be even so much so that it prevents them from getting started. However, if you wish to reach financial independence and live your life on your own terms, this is a barrier that you will need to get past. In this article, I will explain some ways anyone can get started in investing and become successful.

Look for companies that you interact with a lot

First, I would look at the companies that you deal with on a day-to-day basis. These companies are more likely to be larger corporations and produce more stable returns. For example, if you use an iPhone and Macbook everyday, it may make sense to invest in **Apple**. Or, if you play Xbox a lot, maybe take a look at **Microsoft**.

In Canada, we have a lot of large corporations with very secure leadership positions in their respective markets. For example, the Big Five Canadian banks have one of the most notable moats in Canada. This is because of the amount of regulation seen in that industry compared to their peers in the United States. Of the banks, I think **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) has the biggest upside.

With about $1.2 trillion in assets, Bank of Nova Scotia is the third-largest Canadian bank by deposits and market capitalization. The company has four business lines, which include its Canadian banking, global banking and markets, international banking, and global wealth management services. Bank of Nova Scotia is also notable for having the largest presence in the Pacific Alliance countries (PAC) among the Big Five banks.

This is an important factor to remember, because it gives the company another source of growth compared to its peers, which may be more focused on a more saturated North American market. The PAC are an interesting area of focus, as the region has a much lower debt-to-GDP ratio than in more developed countries (40% vs 115% in the G7 countries).

I would try to come up with a solid group of 10 strong companies that you would be comfortable with holding in your portfolio.

Think of where society is headed

Next, I would try to add some more growth into the portfolio. To do this, you can think of where society may be headed in the future. Personally, I believe that the telehealth and e-commerce industries will be much more prevalent at the end of the decade than they are now. Both industries have long growth runways ahead, and many companies are vying for market share.

In this case, I would look into companies like **WELL Health Technologies**, **Goodfood Market**, and **Shopify**. I believe choosing five companies or so that are more forward-looking would be a nice complement to a beginner's portfolio. Of course, this balance between stable and growth stocks will differ depending on your volatility tolerance and investment horizon.

Do nothing for as long as you can

Finally, the next thing you should do is absolutely nothing. Of course, that is an oversimplification. However, if we did the first two steps properly, we should have come up with a portfolio that does not require much maintenance.

Studies have shown that portfolios that experience more turnover to produce lower returns over time than those that have lesser levels of activity. One great way to think of your portfolio is by the Coffee Can Portfolio theory. In it, you actively pick great companies and similar to putting valuables into a coffee can and putting it out of reach for a long period, you would do the same with your stocks.

Foolish takeaway

Investing can certainly be intimidating. New investors should begin by choosing companies they are familiar with. Then, add companies that lead secular trends, and proceed to do as little trading as possible. Abiding by those rules should set anyone well on their way to financial independence.

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