3 Tips to Retire Rich With Growth Stocks

Description

One way to grow your wealth quickly is to save as much as you can and invest in growth stocks.

According to *Investopedia*, "most financial planners advise saving between 10% and 15% of your annual income." However, some frugal investors have been able to save 50% of their after-tax money.

A report by *Edward Jones* last year recorded that the long-term average Canadian market returns, using **S&P/TSX Composite Index** as a proxy, were 9.3% annualized between 1960 and 2018. And in the foreseeable future, it expects an average return of 6.0-7.5% in Canadian stocks.

It's not like you cannot retire rich by investing passively in the Canadian stock market by dollar-cost averaging into it every month, but you'll need to save a whole lot more to reach your retirement goals.

The tradeoff for potentially greater returns requires the time and effort to invest selectively in specific stocks. If you're passionate about stock investing, go for it!

While I still maintain a dividend portfolio that focuses on safe dividend income generation from stocks like **Royal Bank of Canada** and **Brookfield Infrastructure**, my progressive shift to growth stocks over the last few years has been very rewarding. And I strongly believe growth stocks can play a key role in helping investors retire rich.

Here are a few tips to improve your growth stock investing success.

Finding growth stocks

Identify industries with growth prospects. Invest in the best companies of each industry. E-commerce, cloud, fintech, or any company that's been able to create value for businesses/consumers with technology are good places to start looking for growth.

If you’re knowledgeable in biotech, healthcare, artificial intelligence, or cannabis, these areas can also be lucrative investing places for you.

You can explore ideas by investigating small-cap stocks with strong growth potential that are on the TSX Venture Exchange and **Russell 2000 Index**.

Timing the buys

Some say not to time the market. I agree with that to some extent. On finding a wonderful growth stock, perhaps the right thing to do is start a position in it, especially if it’s still a hidden gem.

However, I find that the market does give investors opportunities to buy on dips. So, it’s important to always have cash available on hand to deploy when your favourite growth stocks go on sale.

Sometimes the dip doesn’t happen. A strong stock can travel sideways — sometimes for multiple years — before rising with a vengeance.

Consequently, it could be the best time to buy more shares when a stock corrects or goes sideways. Of course, you must still like the company’s fundamentals and future prospects. As well, you should take care not to be overweight too much in a stock.

Oftentimes, if you started buying a relatively small-cap growth stock and it appreciates with volume, it could mean you’ve hit the jackpot and time to accumulate shares (up to an allocation that makes sense for your portfolio).

Holding

Growth stocks, especially, small-cap stocks are particularly volatile. It can’t be helped that there are a bigger pool of traders who are seeking quick gains from them. You need to be able to withstand that volatility to benefit from the long-term growth of the underlying businesses.

If you really hit on the jackpot, the best thing to do is to buy and hold for at least five to 10 years. You want to hold onto your winners that can six times your money or more!

Importantly, while watching your stocks as individual holdings, you also need to manage them as a portfolio. Keeping your portfolio diversified should increase your comfortability in holding your holdings for the long run.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/21
Date Created
2021/01/21
Author
kayng