



Wealth Creation Via Stock Investing: 3 Things You Can Do to Boost Returns

Description

Investing in stocks is a great way for long-term wealth creation. Here are three things you can do to help improve your returns.

Stop checking stock prices

Some stock investors check stock prices many times a day, especially after they just bought a stock. The stock volatility could make them feel more anxiety than needed, especially if the stock falls more than rises over a week or a month.

As the father of value investing, Benjamin Graham, stated, “In the short run, the market is a voting machine but in the long run, it is a weighing machine.”

This explains the phenomenon that in the short run, stock prices are dictated by the emotions of the market. Just like how **Gamestop** stock was crazily bid up to as high as \$483 in January from about \$18 in about a month — more than a 26-bagger!

In the long run, stocks will eventually revert to what they're worth. That is, stocks that are worth less than the market perceives them to be currently will fall in the long run. Similarly, stocks that are worth more than what the market perceives will rise eventually.

Take the bottom-up approach

It can be easy to get swayed into all the hype and invest in the hot stocks at the moment. However, a lot of the time, these stocks are bid up by the “voting machine.” To prevent losses that could result from these hot stocks, focus on investing in proven stocks by using the bottom-up approach instead.

In this approach, you build [a list of quality companies](#), such as **Amazon**, **Coca-Cola**, **Enbridge**, **Enghouse**, **Fortis**, **Royal Bank of Canada**, **Shopify**, etc., which have competitive advantages or that you expect to become more valuable over time. This list, of course, is neither exhaustive nor

sufficiently diversified. So, add as many proven companies to the list as you see fit. Then buy them opportunistically.

Set stock alerts

As I said earlier, stop checking stock prices all the time, as it could be bad for your health and could trigger you to make emotional investment decisions that you'll regret later.

To buy your list of quality stocks opportunistically without checking stock prices multiple times a day, you can set stock alerts. My bank provides a service in which I can set these alerts. It would then send me emails when a stock reaches a certain price or triggers a trading volume alert. Other trading platforms should offer something similar as well.

Remember to update these alerts periodically, as stock valuations change and businesses are dynamic.

For example, currently, I have a price alert of \$50.50 for Fortis for a minimum yield of 4%. That is, I believe Fortis is a good buy at a yield of at least 4%. Since Fortis tends to increase its dividend every year, this price target will change. So, I'll need to update this alert when Fortis increases its dividend.

You might also update an alert after it was triggered and you've already made an investment decision on it.

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