What Kind of Stock Investor Are You?

### Description

So, you want to make some money from the stock market? There are all kinds of stock investors. Some are active traders, trading as frequently as multiple times a day. Others buy and hold and take a passive approach.



What kind of stock investor are you? Here at the Motley Fool, we believe that investors can get the most out of stock investing by partnering with great businesses for a long time.

As Warren Buffett once said, "I buy on the assumption that they could close the market the next day and not reopen it for five years."

The idea behind that is to buy great businesses that will become more valuable over time. If you're able to buy these kinds of stocks opportunistically when they're trading at good valuations, you would generate satisfying long-term returns. "Long term" as in years, not days or months.

Investors fall in different camps. But nothing is stopping you from being a mix of the camps. Are you a value, growth, or dividend investor?

Here are some examples.

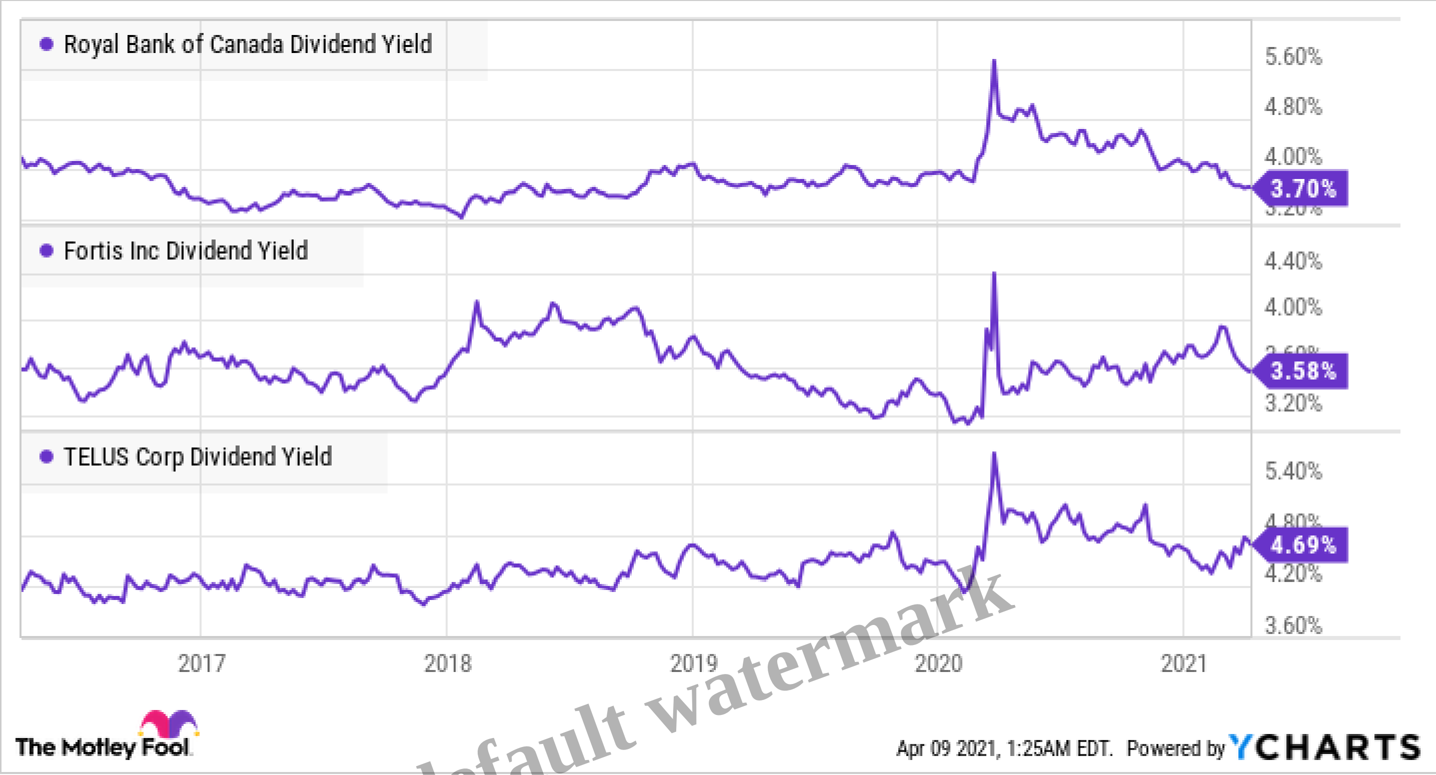
## Combine value and dividend stock investing

Value and dividend investing go hand in hand. Value investors aim to buy value stocks when they're trading at a value. Market downturns are usually when the stocks could be discounted.

Value stocks are often powered by underlying traditional businesses like banks, utilities, and telecoms.

If value stocks pay safe dividends, you can use their dividend yields as a guide on when to buy.

For example, looking at the five-year dividend yield histories of **RBC** stock, **Fortis**, and **TELUS**, you might consider buying them whenever they yield +4.5%, +4%, and +5%, respectively.






*Dividend Yield data by YCharts.*

Moreover, when you buy value stocks at a discount, you'll get a bigger yield on those that pay regular dividends.

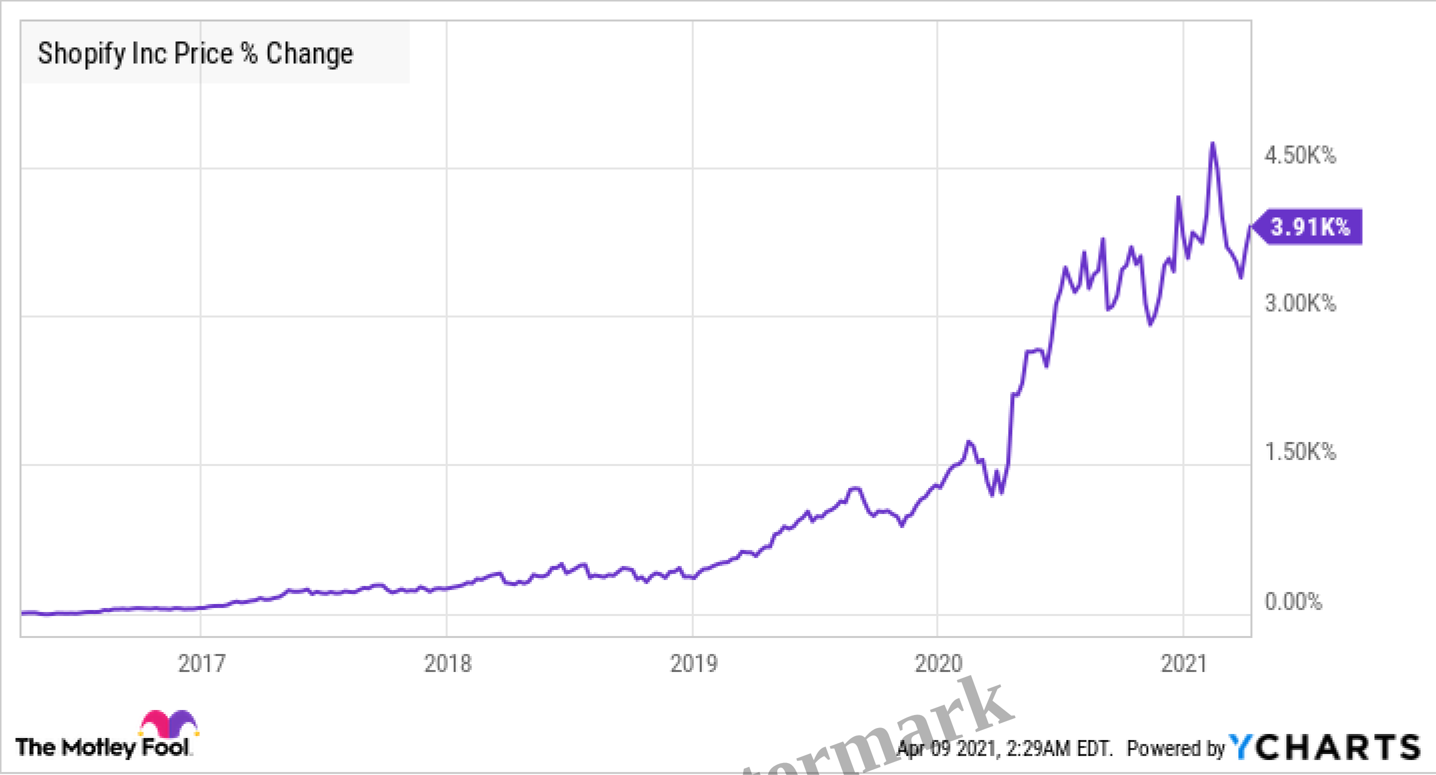
During bear markets, you might be able to buy value stocks at 20-50% discounts to their intrinsic values. If you buy a stock at a 50% discount and it recovers to its fair value, you'll double your money!

## Interested in growth stocks?

Growth stocks are growing their revenues at a high rate. Ideally, their earnings and cash flows would be growing at a high rate as well. What entices investors towards growth stocks is their extraordinary price appreciation potential.

If you invest in the right growth stocks early on, you can grow your money much faster than investing in value stocks. Moreover, you don't have to wait for a bear market to make your move.

You can recognize strong growth stocks by the upward momentum in their long-term price chart, such as the one of **Shopify** stock shown below. Notice that there are bumps along the way that smooths out over the long haul. A $10,000 investment in Shopify five years ago would be worth north of $400,000 today!




*SHOP data by YCharts.*



Just keep in mind that growth stocks can be more volatile than the usual stock. For instance, they can experience big drops when they fall short of growth expectations.

## The Foolish takeaway

You can make money from stocks via cash distributions and booking capital gains. You can get income and price appreciation from value stocks that pay dividends. However, growth stocks can, well, grow your wealth much faster via incredible price appreciation. There are also stocks in between — low-yield dividend stocks that are growing at a fast pace, like **Tecsys**.

As you explore your stock investing strategy, you might find a blend of value, income, and growth works best.

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**Date**
2025/07/06
**Date Created**
2021/04/10
**Author**
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