Do This to Boost Wealth Creation in Your Stock Portfolio

Description

Your financial advisor will probably review your investment portfolio once a year and rebalance it as needed. That's fine if your investment strategy takes a more passive approach.

However, you can greatly boost your wealth creation by actively adding to your stock holdings.

Add to your stock holdings on dips

Often, stocks fall on bad news. It could be macro news such as a gloomy recession that triggers a market correction during which most if not all stocks fall substantially. Other times, even when there's seemingly good news on a company, the market can react negatively and sell off the stock.

In any case, when your stocks fall, take a long-term view of their businesses and determine if the dips could actually be wonderful buying opportunities for long-term returns.

For example, in late February, **Fortis** (TSX:FTS)(NYSE:FTS) fell to levels that lifted its dividend yield to more than 4.1%. Its peers also sold off during that time, indicating that there were factors that affected the whole industry. If my memory serves me right, bond yields were rising at the time, which made bond proxies like utility stocks supposedly less attractive as income vehicles.

Specifically, the defensive utility stock corrected more than 10% from its high in November 2020 but there was no change in its business outlook.

Fortis was still a very predictable business with a stable earnings growth and dividend growth outlook. And management continued to project a 6% dividend growth rate over the next few years. The stock dip was therefore a buying opportunity.

Each stock dip should be examined carefully. Always take a long-term view of the underlying business to determine if the dips are buying opportunities.

Add to your winners

Winners suggest outperformers. Although they dip, too, I discuss adding to winners in a separate section because, during bear markets, winners tend to fall less than the general market or rebound sooner.

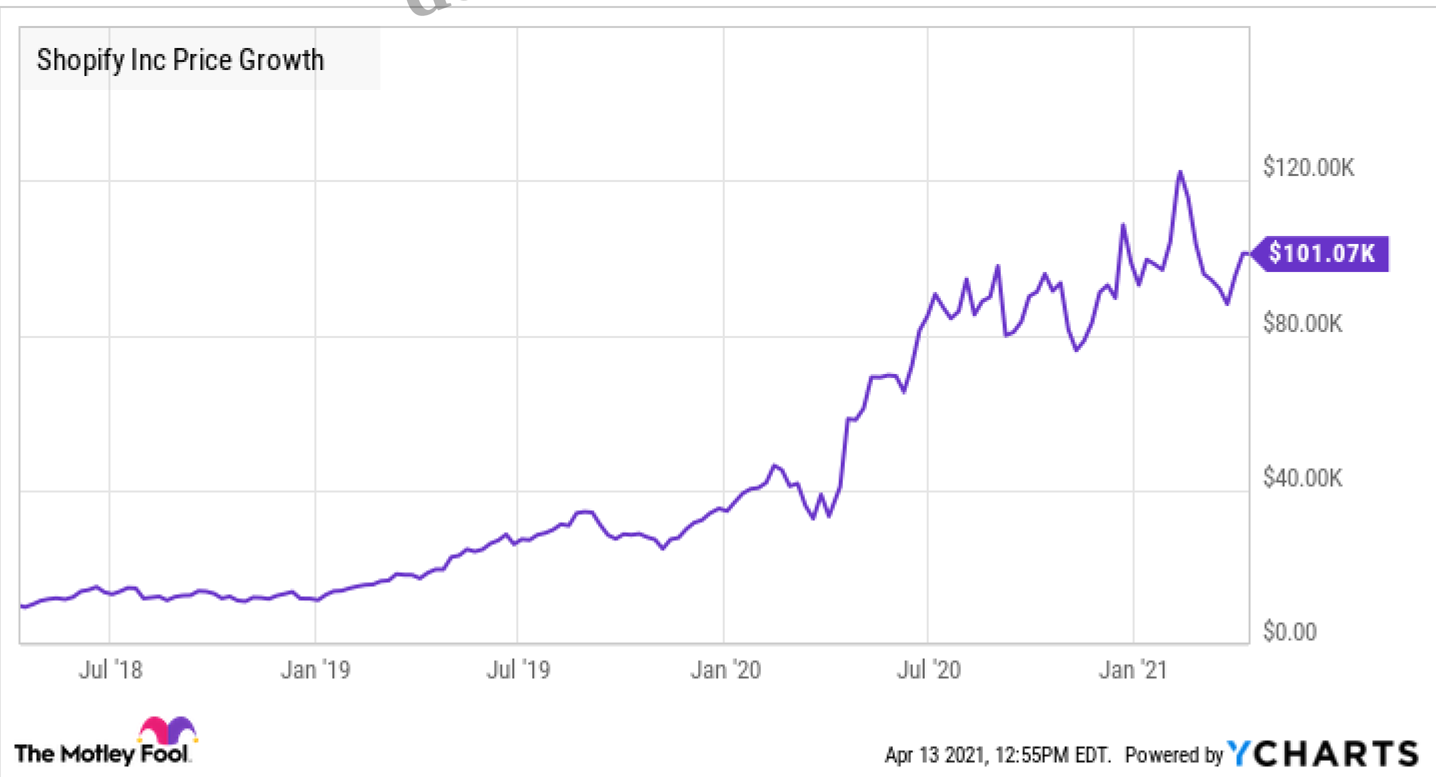
If you observe the long-term stock price charts of winners, you'll see the bigger picture. Their stocks often consolidate in sideways channels after dipping.

I tend to buy the stocks that have fallen more because they feel like better bargains than winners. However, my experience tells me that it's important to add to winners as well, as they are the strongest performers in your long-term portfolio!

For example, although **Shopify** (TSX:SHOP)(NYSE:SHOP) stock declined close to 40% during the pandemic market crash in 2020 from peak to trough, it was one of the first stocks to rebound strongly from the subsequent stock market recovery.

Since July 2020, the e-commerce stock has been consolidating sideways. Pundits have always called it expensive. However, the growth stock has strong price momentum and tends to grow into its valuation over time.

From only three years ago, Shopify stock has 10 times investors' money. Buying any time during that period when it dipped or consolidated would have been a smart move!



SHOP data by YCharts.

Shopify is a great example to add to winners over time when they dip or consolidate. Stocks that win tend to continue winning!

The Foolish takeaway

Self-directed investors will watch their investments more closely. As a result, they'll notice when the market corrects or when their winners consolidate. Those could be incredible buying opportunities to boost wealth creation for your long-term stock portfolio!

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