
3 Ways to Avoid Ruining Your Retirement by Making Investment Errors

## Description

Dividend stocks are the investment centerpieces for would-be retirees. Apart from allowing you to build wealth, you'll have recurring cash flows that becomes your active income in retirement. Moreover, investment income augment pensions like the Canada Pension Plan (CPP) and Old Age Security (OAS).



If you're looking forward to your golden years, what you do with your money today will impact your financial future. It requires financial discipline and commitment to build a healthy amount of retirement savings. However, people commit missteps when investing. Better avoid these retirement killers to achieve your financial goals.

# 1. Cultivate a balanced approach

Losing money is always a possibility when investing. As such, investors must understand the risk and reward first and cultivate a balanced approach. You don't invest randomly only because the dividends are high. Likewise, there are ways to alter or manage risks to increase your rewards.

Do your homework and perform some legwork. Focus on businesses with financial and competitive strength. These companies maintain their leading market positions in the long run, notwithstanding possible economic risks.

# 2. Maintain a long-term view

Long-term investing is a proven method to maximize returns at minimum risks. Famous investor Peter Lynch refers to investments that increase tenfold in value as "ten-baggers." The author of best-selling investment books *One Up on Wall Street* and *Beating the Street* attributes his success to hanging on to stocks he thought have significant upside potential even after they've increased by many multiples.

## 3. Let go of under-performing investments

Many investors tend to hold on to stocks because they do not want to sell at a loss. Lynch admit making mistakes in selecting stocks. But he found out that holding on to underperforming companies could be detrimental to your portfolio's long-term prospects.

Thus, it's more logical to sell underperformers that deliver disappointing or worsening financial performance. Don't wait for the price to go back up. Instead, bring your capital elsewhere and invest it in a business that has greater potential to produce capital growth. Lynch advises, "You have to know when you're wrong. Then you sell."

## TSX ten-bagger

The TSX has ten-baggers for long-term investors. The **Bank of Montreal** (TSX:BMO)(NYSE:BMO) is the dividend pioneer. It hasn't missed paying dividends in 192 years. BMO's total return over the last 48.28 years is an incredible 26,329.63% (12.24% compound annual growth rate).

In 2021, Canada's fourth-largest bank stands proud and remain the most investor-friendly stock for retirees and would be-retirees. Investors are winning by 27.18% year to date and enjoy a decent 3.55% dividend. The current share price is $120.85, while market analysts forecast a potential 12% upside to $135 in the next 12 months.



I'm not surprised that present-day investors regard a matured bank like BMO a momentum stock. The $78.05 billion financial giant has a significant upside potential and remains an excellent source of lasting retirement income.

## Wealth-building strategy

Time is the most important element when saving and investing for retirement. BMO's dividend yield, for example, could remain constant but your capital could still grow geometrically or exponentially over time.  Dividend reinvesting is a wealth building strategy. If the bank stock pays quarterly dividends, you have four opportunities in a year to accumulate more shares to compound your earnings.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:BMO (Bank of Montreal)
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