



5 Tips to Becoming a Successful Stock Investor

Description

Want to increase your chance of succeeding in your stock investing journey? Here are five tips that can help you succeed and build your wealth.

Find your stock investing style

There are so many stock investing styles out there. You've got to know, understand, and perhaps try them to figure out your unique stock investing style that fits your temperament.

Stock investing strategies aren't necessarily independent of each other. Value and dividend investing go hand in hand with each other. Buying a wonderful dividend stock when it's trading at a value will enhance your total returns and boost your income generation.

For example, during the pandemic market crash, **Bank of Montreal** stock corrected 40% from peak to trough. The low was a once-in-a-blue-moon opportunity to pick up shares of the quality Canadian bank stock at a bargain normal price-to-earnings ratio (P/E) of about six (for a +7% yield), whereas it normally trades at a P/E of more than 11 (with a 3-4% yield). The dividend stock has more than doubled in a little more than a year.

Learn from experience

You can learn tremendously from your own stock investing experience — why did one investment work but not another? A self-reflecting process will help you become a better investor. We can't make all the mistakes ourselves. So, also learn from other investors' mistakes.

Additionally, legendary investors have proven investment strategies that work wonders for them. So, why not also learn from the success of great investors like Warren Buffett, Peter Lynch, and Bill Miller? *The Neatest Little Guide to Stock Market Investing* by Jason Kelly explains their strategies.

Be patient

There are risks in every business. That's why stocks often experience setbacks when the underlying businesses run into roadblocks. It's up to you to determine if the setbacks are temporary or permanent. Temporary setbacks could be amazing opportunities to buy stocks at bargain prices for incredible long-term returns potential.

You need to be patient to let businesses grow or turn around and play out your investment thesis. The buy-and-hold investor in quality stocks bought at good valuations should see their wealth swell over time.

Have cash available

You need cash available to take advantage of stock buying opportunities. You wouldn't want to sit through market corrections without having the cash to buy wonderful businesses on your buy list.

You can set up your stock portfolio to include dividend stocks like Bank of Montreal, **Fortis**, **NorthWest Healthcare Properties REIT**, and **TELUS** so that you have that extra cash flow for investing when opportunities appear.

Diversification

Even if all the boxes are checked and you're sure your stock pick is going to be successful, something can still go wrong. So, aim to diversify your portfolio to own at least 15 stocks driven by wonderful businesses that have little correlation to each other.

The Foolish investor takeaway

If you're a new investor, it can be overwhelming to get started on your investing journey. Start simple with [dividend stocks](#) and [take small steps](#) at a time. You'll eventually gain the experience and learn the investing style that can help you build a solid diversified portfolio to grow your wealth for the long haul!

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