A Boring Dividend Stock That Could Make You Rich Over the Long term

### Description

Far too many market newcomers are taking far too much risk to punch their ticket to potential near-term doubles. Undoubtedly, the thought of making wealth month to month is more enticing than buying and holding shares of wonderful businesses for years or even decades at a time.



Warren Buffett's old-school value investing strategy may be boring, but it's a proven wealth creator over the long run. And while many of today's young investors may criticize the man and his less-than-appealing strategy, I do think that at the end of the day, those who invest rather than speculate will achieve the greatest results in the grander scheme of things.

## Maximizing rewards relative to risks

Making smart money is all about maximizing returns relative to risk. Take on too much risk and you may not be compensated on the reward side, as is the case with various cryptocurrencies, including Bitcoin and Dogecoin. Sure, you could double up many times over if you get lucky. But if you're caught on the wrong side of the trade, the downside could have the potential to be unfathomable. Indeed, exogenous factors could bring forth an immensely painful downside for many speculators unaware of what they stood to risk.

For investors like Buffett, it's more about getting a little bit of extra reward potential for free for the magnitude of downside risk taken on. Just like bargain hunting at the local thrift store, value investing is all about getting to most potential reward for the least amount of risk. In a way, the risks you'll bear are like a finite amount of currency. Venturesome investors may have more, while prudent beginners may have less. The more you start thinking about risk/reward trade-offs, the better you'll do over your investment career.

In terms of boring stocks that can make you rich over the decades, the potential rewards aren't appealing over the near- or medium-term. With compounding taken into account, though, it becomes apparent that such opportunities are great ways to build wealth prudently over decades.

# Value investing isn’t easy, but it’s a great way to build wealth over time

Like in boxing, you can only take so many big hits to the chin before one goes down. In the investment world, such big hits are 30-50% pullbacks that may take some time to recover from. When it comes to boring investments, you’ll minimize such hits. While you will get knocked down from time to time, your odds of getting knocked out of the investment world are drastically lower than with speculative investments that could, in theory, tumble by some unknown double-digit percentage.

# Boring is beautiful when it comes to this dividend stock

Consider **Emera** (TSX:EMA), a utility firm that’s on the cusp of a multi-year breakout of around $60 and change. It’s been a long time coming for the firm whose asset mix has become more regulated in nature. As investors rotate back into easy-to-understand businesses with attractive valuations and a decent amount of inflation resilience, Emera and the broader basket of defensive dividend stocks are likely to add to their gains heading into year-end.



At just north of $60, shares of the $15.4 billion company command a juicy 4.3% dividend yield and a fairly reasonable valuation, given the risk/reward to be had over the long term. While the name won’t make you rich over the next few months or years, it will provide you with a relatively steady (only a 0.23 beta) means of building wealth through the years.

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