



Which Will Make You Wealthier: Betting on Sports or Stock Investing?

Description

Sports betting has come a long way in Canada.

After all, it was only two years ago that C-218, the bill that would legalize single-game wagers in Canada, was presented to the House of Commons. Fast forward to February 2022, and Nova Scotia became the last province to gain access to single-game wagers.

So, how does sports betting compare to stock investing?

On the surface, they seem similar. After all, whether you're betting the Nets will beat the Sixers or that **Shopify** will beat the market (it did), you're speculating on the future. You don't know *what* will happen. But if it happens in your favour, you can make money.

To be fair, sports betters resemble a certain kind of stock investor: the day trader. For long-term investors, however, sports betting can't promise the same wealth building that stocks do. Let's take a fair look at both and see why.

Which is more risky?

TL;DR: sports betting is more risky. To understand why, let's look at the bread and butter of sports bets: betting odds.

Betting odds come in three different formats — American, fractional, decimal — but most boil down to a single story: will the underdog overtake the dominant team? If they do, and you bet on it, you could win big.

Of course, sometimes both teams are underdogs in the larger league. Sometimes they're both dominant. But in many games the odds are in favour of one team — the “dominant” one. Sports bookies often tempt betters by offering higher winnings if the underdog wins, however unlikely that might be.

This “underdog” story has a certain psychological appeal. Years and years of **Disney** movies and Harry Potter have driven into us the belief that the underdog deserves to beat the bigger beast. What’s wrong with betting on the good guy and winning money when justice prevails?

Nothing. Unless the underdog (and you) loses. Because once you lose, that’s it — there’s no getting your betting money back.

Herein lies the first major difference between stocks and sports betting: unless a company files for bankruptcy, you don’t often lose the entirety of your initial stock investment. The stock market has good years and bad years, with the sum total of good bringing favour to long-term investors. But outside of a handful of advanced investing strategies (options, futures), stock investing doesn’t involve winning or losing a large sum in a single day.

Sports betting has a small advantage over stocks: bookies are up front about how much you can win or lose. Again, unless you’re trading options or other derivatives, you won’t know how much you’ll earn or lose in stocks. But the finality of the game — when it’s over, it’s over — is what makes sports betting far more risky, even if you’re aware of the odds going into the game.

Which will make you wealthier?

TL;DR: stock investing.

It’s risky — if not downright reckless — to get wealthy on sports betting alone. A handful of sports betters might pull it off. But the majority will walk away disillusioned and broke.

As sports betters themselves often say, “scared money don’t make money,” meaning if you don’t take big risks with big money, you will never get rich. You might make small increments of money by beating on the dominant team. But until you put up wads of cash in favour of the underdog, good luck getting rich.

Not to say that you won’t. It’s only to say that when compared to stocks, sports betters who earn wealth on betting are far fewer than those who earn wealth on stocks.

With stocks, you don’t need big money to make money. History is full of average Canadians who earned substantial wealth by investing small amounts in great companies.

The trick to building wealth on stocks is to take a long-term perspective. By ignoring market downturns and bad days on the market, you prevent yourself from selling your holdings, which is as bad as betting on the losing team. Long-term investors are far more likely to earn substantial wealth than sports betters for the simple fact that they have more time to earn back what they lose on a bad day.

I can think of only one instance when sports betters have a clear advantage over stock investors, and it’s completely fictional: the *Back to the Future* moment, when Marty McFly leaves the sports almanac in the past, helping Biff makes bets that earn him an enormous amount of wealth. Unless you have an almanac from the future, stick to stocks for long-term wealth planning. As long as you pick great companies, the odds are in your favour.

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