3 Investing Tricks Canadians Can Use to Make Great Stock Choices

**Description**

Tricks can be misleading when it comes to investing in the market. But there are certainly tricks that Motley Fool investors can use when it comes to choosing the right stocks — especially now, when the market may be down but remains volatile.



A market correction of 10.8% occurred on the **TSX** this year from peak to trough. Yet, as of writing, shares have come up over 5%. That leaves little time for those wanting in on cheap prices believing there won't be another correction.

So, before you dive in to any growth stock out there, use these tricks to help guide you towards strong long-term choices.

## Trick #1: Rule of 72

The Rule of 72 is fairly simple. Motley Fool investors simply divide 72 by the average annual growth for each year of the stock they are interested in. What you'll get is the likely amount of years it will take for your investment to double.

For example, let's look at a strong long-term company like **Fortis** (TSX:FTS)(NYSE:FTS). Fortis stock has a decade-long compound annual growth rate of 7%. If you divide 72 by seven, you get about 10 years. So, it will take about another decade for you to see your shares double.

The problem, of course, is using this when looking at growth stocks. A company that is over 10 years old should give you a strong suggestion of future performance. If a company is less than a decade old, I would stay away from using this trick.

## Trick #2: The Rule of 100

A rule that's gone around for a while is the 100 rule. In this, you take your age away from 100. The resulting two numbers will tell you how much you should have invested in equities, and how much should be in something very safe like bonds or guaranteed investment certificates (GIC).

In my case, I'm 32. So, for me, that would mean I could have 32% of my portfolio in bonds and 68% in equities. Again, this is a good jumping-off point to demonstrate that I have decades to see my shares grow. But, of course, my equities would also include safe long-term options.

## Trick #3: The 10% rule

If you're new at investing, you likely aren't looking at your stocks every second of the day. Nor should you have to! But right now, things are easy. Practically everything is down — in some cases by over 10%. And that 10% rule could be just what you need to get started.

It can be a tough pill to swallow, but that's why historical performance is so important. Let's use a Big Six bank like **Bank of Montreal** (TSX:BMO)(NYSE:BMO) as an example. The bank is down 10% since highs in March. It's a Big Six bank, so its provisions for loan losses has meant that it continues to bring in revenue and profit. Furthermore, shares are up 5% during the last few weeks after the market correction.

But the number you can focus in on here is 10%. It's still down by *10%*, offering you an additional growth opportunity of 10% to reach pre-correction heights. Then it could continue to achieve the average annual growth it's seen over the last few years.



So, now you get quick returns with shares so low and are invested in a stock you can hold for decades, knowing it will achieve solid growth.

## Bottom line

These strategies can help Motley Fool investors make strong choices when it comes to choosing stocks. But, of course, they should by no means be the only decision makers. Meeting with your financial advisor can provide you with clarity to reach your own goals set by you.

**CATEGORY**

1. Investing
2. Stocks for Beginners

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. NYSE:BMO (Bank of Montreal)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:FTS (Fortis Inc.)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

**PP NOTIFY USER**

1. alegatewolfe
2. kduncombe

**Category**

1. Investing
2. Stocks for Beginners

**Tags**

1. Editor's Choice



**Date**
2025/08/24
**Date Created**
2022/05/31
**Author**
alegatewolfe