

Steal These 3 Investing Tips From History's Greatest Female Investor

Description

The world was a very different place back in the late 1800s.

U.S. high finance was dominated by certain names. John Rockefeller was the richest, making a fortune worth hundreds of billions today. Other names like Andrew Carnegie, J.P. Morgan, and William Vanderbilt also made headlines daily, as the public clamoured to know more about the titans of industry in an era without Internet.

Behind the scenes was a remarkable woman, putting millions to work in unsexy assets like railroads, mortgages, and government bonds. But unlike her peers, Hetty Green was laser-focused on making money, choosing to live without many of the comforts that were common for a millionaire of her time.

She regularly went without hot water and refused to turn on the heat. She chose to spend her time in New York in simple boarding houses, rather than build an elaborate mansion. She'd regularly eat things like oatmeal, or pies bought for \$0.15, rather than visit fancy restaurants. And her clothes were famously well worn, a fact reporters of the day focused on.

These are not attributes you'd give to one of the richest women of her time. It's little wonder why she earned the nickname "the witch of Wall Street."

Like Warren Buffett a century later, Green was inspired by one thing—making money. By the time she died in 1916, it was rumoured she was worth between \$100 and \$200 million dollars. That's between \$2 and \$4 billion in today's dollars.

There's a lot any investor can learn from Hetty Green. Here are three of her most important lessons.

Keep cash on hand

During her investing lifetime, Green lived through several stock market panics, which led to recessions. The panic of 1893 was particularly memorable and was easily worse than our own financial crisis of 2008-09. It took years for the economy to recover after that.

It was also a time when Green cemented her fortune. She always sat on cash reserves, ready to pounce on undervalued assets. During the panic she aggressively lent money to good businesses, assumed hundreds of different mortgages, and bought beaten-up railroad stocks.

She couldn't have done that without having cash on hand. Green always insisted on having a healthy amount of cash, knowing that being fully invested isn't such a great way to scoop up bargains.

Be contrarian

Green was famous for buying when everyone else was selling. When the stock market would decline, she'd be there, picking up discounted shares in the railroads, miners, and other industrial companies.

One stock Green would likely be interested in today is **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)), the Alberta-based supplier of electricity. The market currently hates the stock because it generates some 40% of its earnings from coal-fired plants, and newly elected premier Rachel Notley is rumoured to be working on a plan to accelerate the eventual phase out of Alberta's dependence on the fuel.

Because of this threat, investors have effectively valued the coal plants at zero. But is that really an accurate valuation? Most of these plants are scheduled to be either shut down or converted to natural gas in the next decade anyway, and when Ontario's government phased out coal power, it was forced to pay millions in compensation.

Green would most likely be buying TransAlta stock at today's levels, and so am I.

Prefer real estate

Although she was active in the stock market, Green preferred the predictability of investing in debt. She was particularly fond of mortgages.

These days, investments in REITs are close to the same as holding a mortgage. One REIT that looks attractive at today's price is **H&R Real Estate Investment Trust** ([TSX:HR.UN](#)). Shares are currently flirting with a 52-week low, and it pays a 6.6% yield.

The big thing against H&R is its exposure to the Calgary office market. But the vast majority of its revenue from the city is locked into long-term contracts, which have huge break penalties. And the weakness in the Canadian dollar is helping its U.S. portfolio deliver stellar results when translated back into local currency.

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1. Investing

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1. Editor's Choice

TICKERS GLOBAL

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2. TSX:HR.UN (H&R Real Estate Investment Trust)
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