



Heed Warren Buffett's Warning to Avoid Making This “Insane” Mistake

Description

FOMO, or the fear of missing out, is a very powerful force that's hard to resist, especially for many investors who are new to the game. It has inflated a tonne of history's [speculative bubbles](#) and will continue to do so as we move forward, even in spite of advancements in technology, which allow for today's investors to have a wealth of investing knowledge at their fingertips. In theory, we should all be smarter investors, but still, it's hard to resist the temptation of speculative plays that act as siren songs, preying upon the human emotion of greed.

You hear about people becoming overnight millionaires thanks to a small investment in cryptocurrencies, marijuana stocks, cobalt stocks, or any other emerging [“sexy play”](#) that are deemed hot at a given point in time. FOMO causes many of us to exhibit a herd mentality and pile in to investment instruments that may have little to no intrinsic value.

In such nonsensical markets, it's easy to get lost and be driven by euphoria, greed, and the fear of missing an opportunity to become an instant millionaire. We all want to get wealthier, preferably over an unrealistically short period of time, but in order to do so, many of us speculate on dangerous investment instruments that are essentially gambles; however, they can easily be disguised as an investment.

It's important to tell the difference between investing and speculation early on in your investment career; otherwise, a poorly timed speculation may cause you to give up on investing, even though you haven't really actually invested. You speculated — gambled, if you will — all while telling yourself that you were investing to make it seem like you were doing something respectable, when in reality you were just pulling the handle on a slot machine with Bitcoin, Ethereum, Ripple, venture miners, or even up-and-coming marijuana firms like **Aurora Cannabis Inc.** ([TSX:ACB](#)) or **Aphria Inc.** ([TSX:APH](#)).

If you're going to be speculative, at least realize that you are, in fact, speculating and not investing. And if you do both, don't mix your investments with your speculations and keep them in separate accounts; otherwise, you'll confuse the two and make irrational decisions with investments to finance your speculative activity. If you find yourself dumping any of your long-term core holdings to become fully “invested” in crypto, Aphria, or its like, you'll stand to lose your shirt. And if you've decided to borrow

money to fund such speculative shots in the dark, you could find yourself in long-term financial ruin.

As Warren Buffett recently said: "It's insane to risk what you have for something you don't need." He was referring to those who borrow to invest (or speculate).

Moreover, your friends and the talking heads on TV may be pushing you to get in on a "free lunch," and for those heavily indebted Canadians without free cash on hand, well, one may think investing on a margin may not seem so "insane" at the time, especially at the rate pot stocks have been surging of late! Given the recent rise in speculative activity and leveraged investing, new investors would be very wise to take a step back and really consider the words of warning from the Oracle himself to avoid making "insane" moves.

Bottom line

Despite being one of the richest men on the planet, Warren Buffett admitted that he doesn't know the secret to getting rich quick right from the get-go. It takes many years of patience, discipline, and smart investment decisions to compound your wealth to the next level. You can get rich, but slowly and steadily; there's no other way around it other than a path that will lead you down the road of speculation, gambling, and borrowing to invest.

Stay hungry. Stay Foolish.

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