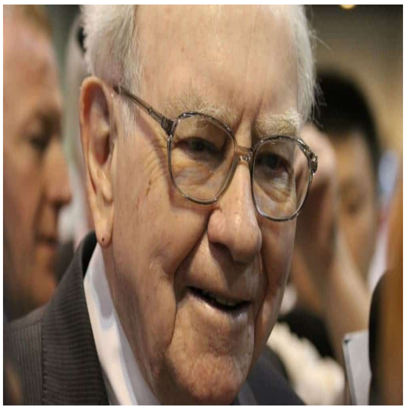

1 Reason Why Most People Will Never Invest Like Warren Buffett

Description

Warren Buffett's success in outperforming the S&P 500 in recent decades has been built on patience. Ultimately, he has held a relatively small number of stocks for long periods of time. This has enabled them to deliver on their potential, and benefit from the wide economic moats that he has successfully identified.

However, the reality is that few investors have the patience of Buffett when it comes to holding onto shares. As a result, they may be able to identify the right companies at the right time, but fail to reap the fruits of their labour due to them not providing their portfolio with the time it requires to come good.

A changing world

Increasing impatience among investors is not especially surprising. The advent of the internet means that information that previously took days or weeks to arrive is now available almost instantly. For example, it is possible to obtain information about a range of global shares, whether they are listed in the FTSE 100, S&P 500 or some other index. Increasing amounts of information delivered at speed seems to have the effect of changing the viewpoint of investors more frequently, which can lead to increasing short-termism.

Furthermore, the internet has changed the way in which investors buy and sell shares. It can now be undertaken in a split-second at a very low cost. This encourages more frequent buying and selling, while the availability of financial products such as spread betting and CFDs means that trading, rather than investing, has increased in popularity. As such, the holding period of S&P 500 shares has fallen from eight years in the 1960s to around four months today, with it being a similar picture for other indices such as the FTSE 100.

Patience

Of course, the business world continues to move at a relatively slow pace. The internet may have increased the pace of change in various parts of the economy, but the implementation of a new strategy still takes months or even years to have an impact on the bottom line. As a result, many investors may be selling their ‘losers’ and ‘winners’ far too soon, with Buffett being one of the few investors to allow his holdings and their management teams the time they need to deliver improving financial performance.

While many investors spend significant effort in following the performance of shares in major indices such as the S&P 500 and FTSE 100, the reality is that simply being more patient may have a bigger impact on their portfolio’s performance. Although it may be easier to achieve this in theory rather than in practice due to the fast pace of news flow and the availability of financial products, allowing portfolio holdings the time they need to deliver on their potential could help you to generate Buffett-like returns in the long run.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date
2025/08/26
Date Created
2018/07/14
Author
peterstephens