Heed This Piece of Timeless Advice From Warren Buffett and You'll Become Very Rich Over the Long-Term

Description

Just a year ago, nearly every investor out there was growing euphoric over the possibility of a "market melt-up" as companies began to reap the rewards from President Trump's corporate tax cuts.

Back on January 30, the peak before the February correction, I warned investors to not to get too high on the overly bullish commentary of pundits, urging investors to take profits and to get their portfolios ready for a market correction with defensive dividend stocks like **Fortis** (TSX:FTS)(NYSE:FTS).

As it turned out, late January, a time of abnormally bullish sentiment turned out to be a great selling opportunity, as greed turned to fear in what seemed like an instant. The **S&P 500** crashed back to earth, hurting many new investors who bought stocks on the advice of overly bullish pundits who magically disappeared after the markets faltered.

While the impeccable timing of my correction warning made me seem like some market-timing wizard, it may come as a surprise to you that didn't use any sophisticated technical analysis or voodoo to reach my contrarian stance. I merely reminded investors to heed Warren Buffett's advice by "being fearful" when many investors were unreasonably greedy and insistent that things were different.

"Be fearful while others are greedy and greedy while others are fearful," says Buffett.

This is one of Buffett's most quoted pieces of advice to investors, but it's also the hardest principle for investors to nail down in practice, as it contravenes human psychology.

As loss-averse humans, we tend to herd together to avoid being the one left holding the bag. Coincidentally, it's this loss-averse nature that leads us to the biggest of losses, as we buy when others have already bought in and sell when others have already cashed their chips.

Simply put, being a contrarian is hard. And after your portfolio has shed 10% of its value, you probably think that Buffett's principles are outdated and are thus no longer applicable. While Buffett's strategy is undoubtedly old-fashioned, I believe his words of wisdom are still timeless and can keep investors protected from themselves as their emotions begin to take control when market volatility inevitably kicks in.

When it comes to investing, the only one holding you back from your goals is yourself. If the recent bout of volatility rattles you, you may want to take the recent correction as an opportunity to rebalance your portfolio to a level where you'll be unfazed by big choppy market moves because like it or not, 2019 is shaping up to be another doozy.

Fortunately, a new year means another big contribution for your TFSA. While you may think bonds are the way to go this year, it's probably a better idea to jump into undervalued utilities like Fortis, which blow bonds completely out the water no matter what the market is doing.

You see, we're expecting the worst from 2019, but it very well could be the soaring market we expected for this year. By betting on a market flop and going all-in on bonds, you're taking an upside risk and could end up surrendering the opportunity cost of fat, unexpected gains. With Fortis, however, you'll do well whatever mood Mr. Market's going to be in. You'll get a 4% dividend hike every year, as promised, a considerable amount of downside protection, and some potentially handsome capital gains.

Even after the recent "run to defensives," Fortis still looks undervalued.

At the time of writing, the stock trades at a 17.5 forward P/E, and a 1.4 P/B, both of which are lower than the company's five-year historical average multiples of 21.7, and 1.5, respectively. Fortis' 7.0 P/CF is lower than its three-year historical average P/CF of 7.9, and despite the depressed valuation metrics, the company has still been growing like at a double-digit pace over the past three years.

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