



Steal These 3 Warren Buffett-Inspired Investing Secrets to End Up Fabulously Rich

Description

No investor has been studied more than Warren Buffett. The man will undoubtedly go down as the best of all-time.

Yet many people don't grasp how truly simple Buffett's investment philosophies are. He has simple rules that are never broken, which might be the most powerful part of his method. He's content to sit on his hands for years, waiting for great opportunities to put his capital to work.

You will make yourself richer if you follow these three important Buffett-inspired investing tips. Let's take a closer look.

Buy and hold

Buffett seeks to buy great companies and let them do their thing over decades. It's a novel concept in today's fast paced world, but it comes with a number of massive advantages, especially for retail investors.

The biggest advantage is not needing to worry about your portfolio. A buy-and-hold investor needn't stress about poor earnings announcements, temporary bad news, or other negative events, as they're not looking for an exit point. If anything, they can load up on underpriced shares and goose their long-term return potential.

Patiently investing comes with massive tax advantages, too. If you're in a high tax bracket, the Canadian government gets approximately 25% of any profits you accrue after selling a stock. It's more difficult to grow your money over the long-term if you're giving some of it away unnecessarily.

Acquire the best

It isn't just a matter of acquiring random stocks and holding them for a very long time. You need to put

your capital to work in high-quality companies.

Buffett is famous for investing in companies with a large moat, a sustainable competitive advantage that discourages competition. But I'm not sure that's enough. Buffett also looks for growth potential, high profit margins, and superior returns on invested capital. These companies also need to be purchased at a reasonable price.

A company that checks off all these boxes today is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). Royal is Canada's largest bank, the leader of a dominant five company oligarchy that essentially controls the Canadian banking system. The company's competitors have tried for years to knock it off its pedestal, with little success.

Banking naturally comes with fantastic profit margins, and Canada's banks are further protected from loss by mortgage insurance, which is underwritten by the Canadian government and paid for by borrowers despite protecting the lender's interest. Royal Bank also has a solid position in wealth management, is a leader in capital markets, and has successfully expanded into the United States.

The company is trading at a reasonable 11.9 times forward earnings expectations and shares currently yield 3.7%.

Change your mind

Someone once quipped that Buffett sure does a lot of selling for a guy who wants to buy and hold companies forever, but a smart observer views it differently. Buffett is relatively quick to pull the plug on stocks that aren't working out.

Buffett did exactly that with **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), the largest producer of crude oil in Canada with some 800,000 barrels per day of production expected in 2019, most of which comes from the oil sands. Suncor also owns substantial upstream assets, including refineries spread across North America and some 1,500 Petro Canada gas stations.

Buffett originally bought Suncor back in 2013 and sold in 2016 amid a deep bear market for the energy sector in general. The new position in the company totalled some 10.7 million shares — or about 0.7% of the company — and was acquired in the first quarter.

Buffett is likely betting on oil prices recovering, which would obviously be great news for Suncor's stock. But I'd wager he's more attracted to Suncor's shareholder-friendly management team, which has paid investors a dividend that has increased for 17 consecutive years. Shares currently yield 3.8%. The company also actively repurchases its own shares, including spending more than \$1 billion on share buybacks in the last quarter of 2018.

Foolish takeaway

Investing the Warren Buffett way isn't easy. It takes discipline, patience, and knowledge to separate a good company from a bad one. But when executed correctly, it can yield tremendous results. I firmly believe that it's the best way for regular investors to become wealthy.

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2. NYSE:SU (Suncor Energy Inc.)
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Date

2025/09/10

Date Created

2019/05/03

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