



Forget Bitcoin! I Think Warren Buffett's Strategy can Boost Your Retirement Prospects

Description

With the price of Bitcoin having risen significantly since the start of the year, investor sentiment towards the virtual currency has clearly improved.

While this trend may continue in the near term, over the long run a focus on [undervalued stocks](#) could offer a more appealing risk/reward ratio.

Value investors such as Warren Buffett have been able to deliver consistently high returns that have significantly improved their financial positions. Following Buffett's strategy could boost your retirement prospects, and help bring your retirement date a step closer.

Fundamentals

Perhaps the riskiest part of buying Bitcoin is that it lacks fundamentals. This means that there is no data on its possible value. As a result, investors are unable to determine what it is worth, since its price level is decided by sentiment. Since this can change rapidly, and without warning, its current price may prove to be too high (or too low) over the long run.

By contrast, value investors such as Warren Buffett can easily judge whether a stock is trading at below its intrinsic value. There is a significant amount of data available on listed companies, such as annual reports and regular trading updates. They are available for free in most cases, which allows an investor to buy high-quality companies when they are trading at prices that appear to undervalue their future growth prospects.

Track record

While Bitcoin has enjoyed a strong period in 2019, its track record suggests that it offers an exceptionally volatile investor experience. For example, it declined by over 80% in 2018 following its surge in 2017. A similar performance may or may not be ahead. However, if Bitcoin does fall sharply,

its lack of fundamentals means that investors may lack confidence to buy it at lower levels. This may ultimately mean that their entry point is always relatively high.

The stock market has an excellent track record of delivering growth. Certainly, it has experienced volatile periods which have included bear markets and major recessions. However, since it has always recovered from those events, value investors such as Warren Buffett have confidence in the opportunities that undervalued stocks present. This allows them to capitalise on falling stock prices through taking a long-term outlook.

Long-term prospects

Bitcoin's lack of infrastructure and limited size may mean that it ultimately fails to replace traditional currencies. This may mean that its price experiences a challenging period, as investor expectations appear to currently be high.

The stock market could experience a challenging period in the near term due to a variety of risks facing the world economy. However, with major economies such as the US and China forecast to grow at a brisk pace over the coming years, there are opportunities for a variety of companies to generate improving financial performance. Buying those that are undervalued, as Warren Buffett has done in recent decades, could be a shrewd move that helps you to improve your retirement prospects.

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