



Forget the Lottery: I'd Rather Make a Million by Following Warren Buffett

Description

While the lottery has the potential to make you a millionaire, the reality is that your chances of winning are extremely slim. Therefore, following Warren Buffett's value investing strategy and investing your spare capital in the stock market could be a shrewd move.

Track record

Warren Buffett has been able to generate [high returns](#) over a significant period of time, and in doing so has become one of the richest people on earth. In fact, his track record of outperformance of the S&P 500 is exceptional. Since taking the reins at Berkshire Hathaway in 1965, he has managed to deliver double the annualised capital returns of the wider index.

Although there have been periods of underperformance, his value investing strategy has worked well over the long run. Key to its success is buying stocks while they are relatively unpopular. This often coincides with periods of higher risks for the wider economy, during which time other investors are increasingly risk averse.

Buffett then holds the stocks he purchases over the long term. This allows their competitive advantage versus sector peers to impact on their financial performance, while his long-term holding period provides sufficient time for their margins of safety to narrow somewhat. This often leads to high returns that have made him one of the most successful investors of all time.

Easy implementation

Perhaps the most desirable aspect of Buffett's value investing strategy is that it can be implemented by any investor. It is relatively simple to understand, with it not requiring specific qualifications or a large amount of capital to implement.

As well as buying stocks while they offer favourable valuations, Buffett also concentrates on the quality of the businesses he purchases. This often entails a solid balance sheet that does not contain

exceptionally high levels of debt, as well as an economic moat which may enable the company in question to outperform its peers over the long run.

As such, any investor can focus on companies within a specific sector in order to find the strongest business which could deliver outperformance of the wider industry in the long run. Through waiting for an opportune time to buy it, there is a relatively high chance of outperforming the wider stock market.

Buying opportunities

The present time could prove to be a worthwhile buying opportunity for value investors such as Warren Buffett. There are risks facing the world economy such as a global trade war, Brexit and a weak European economic outlook. They have already caused investors to become increasingly 'risk-off' towards many industries, which may mean there are opportunities to buy high-quality stocks trading on low valuations.

Such companies could offer high total return potential in the long run which increases your chances of becoming a millionaire. As such, now could be the right time to ditch the lottery and instead follow Warren Buffett's simple and effective strategy to enhance your financial prospects.

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