Revealed: How This Billionaire Would Invest a $1 Million Windfall

Description

Jim Pattison is one of my favourite investors.

Pattison's privately held conglomerate — fittingly called the Jim Pattison Group — has come a long way since its humble beginnings as a single car dealership in 1961.

The company slowly added assets over the years, eventually ending up with big holdings in media, outdoor signs, grocery stores, food processing, and agricultural dealerships, among others.

With holdings that vast, is it any wonder that Pattison is commonly called Canada's Warren Buffett?

Together, these businesses combine for $10.6 billion in annual sales, making the Jim Pattison Group the second-largest privately held company in Canada. Pattison's personal net worth is estimated at approximately US$6 billion.

Although Pattison has never been one to search for the spotlight, he has been generous enough to share some of his investing insights over the years. He did so recently with an interview on *BNN Bloomberg*, when he was asked how he would recommend someone invest a $1 million windfall?

His answer wasn't what I expected. Let's take a closer look.

Pattison said *what*?

When first presented with the question, Pattison asked an important follow-up. Just how old was this imaginary investor with $1 million to invest? Because that would impact his answer significantly.

If the person investing was older, Pattison recommended an assortment of high-quality preferred shares. He specifically mentioned companies he felt were very safe, like **Canadian National Railway** or **Royal Bank of Canada**. It was obvious Pattison didn't want an older investor taking a risky bet on stocks that could sink significantly in value.

Although preferred shares can be volatile in the short-term, blue-chip Canadian companies that have issued preferred shares for decades have an impeccable repayment record.

And high-quality preferred shares still yield in the 5-6% range, which represents an excellent return on investment in today's low interest rate world.

Finally, investors must remember preferred shares pay dividends, which are generally taxed at a much more favourable level than comparable rates of return on interest. A couple with a $1 million windfall could easily split those proceeds and invest them at a 5% yield, generating a $50,000 per year income stream split between the two spouses. If there was no other income, there wouldn't be a nickel of taxes owing.

Advice for a younger generation

Pattison's advice for older investors is pretty standard. When you hit retirement age, the goal should be to maintain your capital, not try to increase it substantially. That's why preferred shares make so much sense.

When pressed on what he'd recommend for a younger investor, Pattison's answer got much more interesting, especially coming from a 91-year-old with significant holdings in old-school businesses.

He said he'd encourage a younger investor to look at something in the "high tech" industry. Sure, such an investment would be risky, but the upside potential could be enormous.

Pattison didn't specifically recommend **Shopify** (TSX:SHOP)(NYSE:SHOP), but I can see why he'd be bullish on the company. Shopify has taken its core business of helping entrepreneurs navigate the tricky world of online sales and has taken it to the next level.

New services recently announced by the company include improvements to its inventory management system, the introduction of various regional warehouses to help expedite shipping times for sellers, and the introduction of an expert marketplace, which hooks up smart folks with businesses that need a little extra help.

I also really like Shopify's new financial services division, which gives loans to online retailers based on their history with Shopify. As it already has much of the data needed to analyze each business's sales, Shopify can make decisions on loans quickly and accurately.

These growth paths are expected to help the company increase sales by approximately 50% in 2019, with similar gains expected in 2020. There aren't many companies on the market that can offer that kind of potential growth. It's therefore little wonder why Shopify's stock is so expensive on traditional metrics.

The bottom line

I’m a big fan of Pattison’s advice, especially for younger investors. A diverse portfolio with a healthy weighting towards high-growth technology companies looks poised to perform well for years to come. I’d start with Shopify and then make other investments to round out the portfolio.

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1. Investing
2. Tech Stocks

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