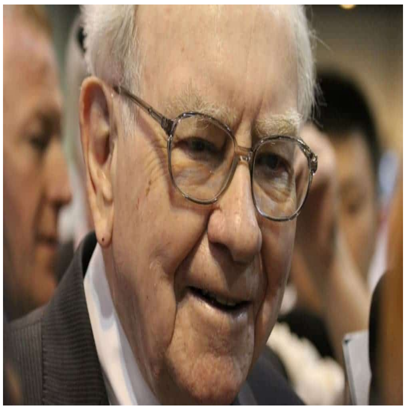

No Savings at 40? Warren Buffett's Advice Could Help You Build a Retirement Nest Egg

Description

Warren Buffett has not always been one of the richest people on earth. In fact, the vast majority of his wealth has been accumulated after he turned 50. As such, it is never too late to start investing for your retirement.

By focusing on long-term growth opportunities and the quality of the stocks you purchase, it may be possible to improve your investment returns. Furthermore, ignoring market 'noise' and buying during uncertain periods for the world economy may make it easier to build a retirement nest egg from a standing start at age 40.

Long-term focus

A key part of Warren Buffett's success as an investor is his ability to focus on the long run. He has never been especially concerned about the performance of his holdings over a period of months, but rather seeks to buy companies that can produce high returns over a period of decades.

At age 40, most people will have decades left until retirement. This means that aiming to outperform the stock market over the next few years may not be a sound strategy. More relevant could be a focus on building a portfolio that generates high returns over the next 20-30 years. In doing so, you may be able to capitalise on more attractive growth opportunities that can improve your retirement prospects.

Quality businesses

Another central reason for Warren Buffett's investment success is his focus on the quality of businesses. He seeks to buy companies that have a clear competitive advantage, or economic moat, compared to their sector peers. This often translates into a higher growth rate during positive operating conditions, as well as a more robust performance when trading conditions are less attractive.

Through considering a company's balance sheet, cash flow, brand loyalty, cost base and other fundamental factors, it may be possible to select the best stocks within a specific industry or index. This could improve the performance of your portfolio, as well as provide a more enticing risk/reward ratio.

Ignoring other investors

While Warren Buffett is likely to listen to his colleagues, he does not appear to place much importance on the consensus view among investors. For example, during bear markets when other investors are selling stocks to pivot towards less risky assets, Buffett is usually buying companies at a discount to their intrinsic value.

This ability to ignore the general ‘noise’ of the stock market could lead to higher returns in the long run. It may enable you to capitalise on the cyclicality of major indexes, with them having delivered long-term growth despite their various setbacks over the years. It could enable you to avoid over-exuberance among investors during bull markets, as well as purchase high-quality businesses at low prices during bear markets.

Clearly, building a retirement portfolio is not an easy task. But by using Warren Buffett’s strategy, it may be much easier to do so and could lead to a generous nest egg even from a standing start at age 40.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2019/11/29
Author
peterstephens