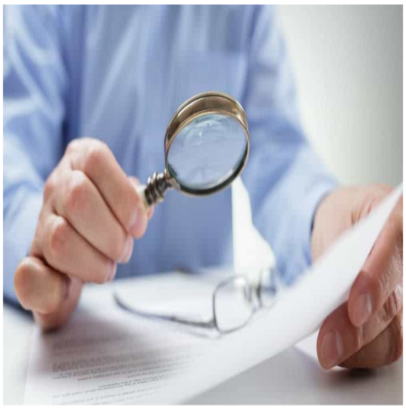

3 Timeless Pieces of Investing Wisdom From Charlie Munger

Description

Last week, thousands of investors made their way to Los Angeles for the **Daily Journal** annual meeting — a meeting that has quietly become a must-attend event for many serious investors.

These folks go to see the company's chairman Charlie Munger — a man who is much more famous for his other role as Warren Buffett's right-hand man at **Berkshire Hathaway**. The format of the Daily Journal annual meeting is much like Berkshire's, with the business part of the meeting being dispatched quickly.

The main event is the question-and-answer period, with the attendees anxious to hear Munger's opinion on everything from how to live a good life to various investing topics. He'll even give an opinion on select stocks — something that Warren Buffett usually won't do.

Let's take a look at some of the highlights of this year's meeting — three timeless pieces of investing wisdom you can put to work in your portfolio today.

Invest in Canada

Munger was asked about his thoughts on Canada from more of a general perspective rather than from an investing standpoint. But his answer should still be encouraging for Canadian investors.

He pointed out various things Canada has going for it compared to the United States, especially our socialized medical system and the price we pay for pharmaceutical drugs. Munger thinks both of these systems give our nation a big advantage over our neighbour to the south.

These advantages should attract further immigration into Canada, which will impact the economy in a number of ways. These folks will spend money and buy houses, which will help GDP growth. But I'm also confident Canada is getting some of the world's best immigrants, and some of these people will end up starting big companies that really contribute to the nation.

In short, I share Munger's bullishness on Canada.

Don't be afraid to sell

One of Munger's greatest talents, at least according to the man himself, is being able to admit when he's wrong.

He told investors: "a good bit of the Munger fortune came from liquidating things we originally purchased because we were wrong. Of course, you have to learn to change your mind when you're wrong."

This is different than selling a stock, because it has gone up a long way, of course. Yet this is exactly what many investors do. They'll take a 50% or 100% profit over the short term and miss out on something much greater over a few decades.

It's important to look at all your investments critically and sell when the thesis changes. Many investors won't, and they'll cling to outdated philosophies; for example, they'll sell when it gets back to breaking even.

Delay gratification

Charlie Munger's advice on how to get rich is as simple as it is powerful. All you need to do is delay gratification for decades, creating a big savings rate in the process. Put that cash to work in excellent investment opportunities, and you'll end up doing pretty well. Even if you don't become a billionaire like he is.

The secret is avoiding consumption today, which is hard. Especially for folks who just can't seem to make ends meet.

There are two ways to increase this savings gap. You can take the approach Munger did when he was younger and look to make more money. Besides being a lawyer in the 1960s, Munger also toyed with real estate development.

Or you can become more frugal — something most of us should really do anyway. No matter what method you choose, the important thing is to create a big savings rate today and then put that capital to work. Give it a few decades to compound, and then you can really have fun.

The bottom line

Charlie Munger is 96, and he's still spouting some of the best investing wisdom you'll get anywhere. These rules are hardly rocket science, yet they'll make a massive difference in your life. It just goes to show that sometimes the most important rules are the simplest ones.

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