



Warren Buffett: Here's What Separates the Oracle of Omaha From the Average Investor

Description

Warren Buffett is one of the best investors of our time and arguably the best teacher. To say the man is quote worthy would be a vast understatement. He's outlined the principles that he sticks by, they're timeless and can be applied in any market — even a crashing one.

Buffett has made his fortune over the long term by investing in what he deems as [“wonderful businesses”](#) when they're at “wonderful prices.” What he's *not* is a short-trader who's jumping in and out of stocks because he has some sort of crystal ball that foresees what's to happen with the economy. He doesn't know what the economy has in store next, nor does he know anyone who can.

Always have a “Plan B”

Nobody saw the pandemic coming. The economy was the strongest it's been in recent memory before the coronavirus sent it and the stock market crashing down. What separated Buffett from the average investors was the fact that he was ready for any curve balls Mr. Market threw his way.

You see, Warren Buffett is humble enough to acknowledge that he and his team of market wizards at **Berkshire Hathaway** have their blind spots. And unlike most folks on Wall Street, they're not going to attempt to see what's in those blind spots because it's impossible unless you're an actual Oracle.

As a result, Warren Buffett maintains a hefty emergency fund to be ready for those rainy days. Your financial adviser probably told you repeatedly not to invest the money you intend on using over the short- to medium-term.

Many investors ignored the old-fashioned rules of Buffett and their advisors and got burned when the pandemic sent the markets into a tailspin.

Black swan events happen — ask Warren Buffett!

Everything can be going swell, and the next thing you know, a black swan event could hit you from out of nowhere. Warren Buffett referred to the coronavirus and the collapse in oil prices as a “one-two punch.”

Despite the uncertainties surrounding both black swan events that few investors except in their investment careers, Buffett [didn't look rattled](#) in the slightest in his recent interview with *Yahoo! Finance*.

Warren Buffett had a padded emergency fund — probably a heck of a lot more than he wanted when the market was doing well. He couldn't find any pitches to swing at and his cash hoard swelled to record levels. Despite his discontent with hoarding cash as the markets rallied higher, the man continued to exhibit patience.

Because he's been through his fair share of crash-inducing surprises, and although it took him 89 years to invest through the coronavirus pandemic, he's likely not treating this market meltdown any differently from any of the crashes he's been through in his lengthy investment career.

He knows that every time is different. There's a different reason for every implosion, and while he'd never “...wish anyone ill,” he will be buying stocks when the opportunities arise. And with the **S&P 500 Composite Index** and **TSX Index** approaching a 40% peak-to-trough drop, you can bet that the Oracle is feeling like a kid in a candy store with a full wallet.

Foolish takeaway

Warren Buffett doesn't time the market. He doesn't get excited when stocks are rallying, and he's not going to put his money to work in any positive paradigm shift. He keeps ample cash on the sidelines because he knows that black swan events can happen at *any* time, derailing even the best economy in the world in an instant.

The pandemic hit and all of a sudden, those who were critical of Buffett's record cash hoard are nowhere to be seen. If you're to be a successful investor over the long term, you've got to recognize that it never makes sense not to have a Plan B when the markets take a tumble.

Sure, economists may give the green light on an economy or the market, but they can't foresee black swan events. And it's these shocks that one must always be prepared for, making a 100% allocation to equities quite reckless, especially in the latter years of a long-lived bull market.

Emulate Warren Buffett and have a plan for anything. Don't be like the average investor and invest every dime on the ride up.

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Author

joefrenette

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