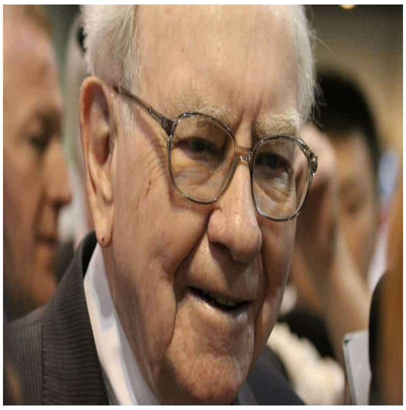

Warren Buffett Advice: How to Build Great Wealth

Description

Warren Buffett is one of the best investors of our time. The multi-billionaire's generosity in sharing his stock investing wisdom over the years has helped investors to build great wealth.

By reviewing Warren Buffett's **Berkshire Hathaway's** current stock portfolio, we can get a sense of which businesses to best invest in to build great wealth in the long run.

Warren Buffett advice: Buy wonderful businesses

Warren Buffett has a steadfast focus on buying wonderful businesses. The stock market is a convenient medium for investors like you and me to buy and become part-owners of businesses.

In the short run, stock prices are determined by a voting machine on the stock market. In the long run, stock prices follow the fundamentals of the underlying businesses.

When buying wonderful companies, Warren Buffett primarily cares about the value he pays. Secondarily, he loves dividends. However, it's not a determining factor for him whether a stock pays a dividend or not.

In summary, investors should seek to buy wonderful businesses at great valuations. Moreover, ideally, these stocks would pay dividends.

As of the end of 2019, Berkshire Hathaway's largest common stock holdings were **Apple**, **Bank of America**, **Coca-Cola**, **American Express**, and **Wells Fargo**.

So, Buffett is a fan of technology. He's also a big believer in the U.S. economy. This is why American banks make up a big part (24%) of Berkshire's stock portfolio.

Berkshire has been holding Coca-Cola shares for more than 30 years. The beverage company now provides dividend income with a very high yield on cost for Berkshire. Coca Cola is still a very relevant company today, as it's a consumer staples company that quenches the thirst of people around the world.

Coca-Cola is a prime example of Buffett's strategy of long-term investing in wonderful companies. If you bought shares of a wonderful business, and it continues to churn out greater profits and dividends over time, simply hold on to it.

Banks are a core part of Berkshire's stock portfolio. Our top Canadian banks should be a core part of Canadians' stock portfolios as well. Particularly, **TD Bank** stock is a wide-moat company that offers value, dividends, and exposure to the U.S. economy.

Warren Buffett advice: Buy index funds for broad market exposure

Warren Buffett suggests investors not interested in stock picking to invest in index funds that have broad market exposure.

By investing in a broad market ETF that exposes you to the **TSX index**, investors are betting on the inevitable comeback of the Canadian economy.

SPY offers greater diversification and exposes you to the U.S. economy, which typically enjoys greater growth than the Canadian economy.

If you can stomach greater risks, investors should consider mid-cap ETFs like the **iShares S&P U.S. Mid-Cap Index ETF** that has a ticker of XMH. It gives exposure to the **S&P MidCap 400 CAD Hedged Index**.

In general, mid-cap stocks offer higher growth than large caps and lower risk than small caps. Therefore, buying a basket of mid-cap stocks through XMH in this market crash should allow investors to generate extraordinary long-term total returns.

For example, when XMH gets back to its February 2020 levels, investors would enjoy 59% upside. In comparison, the TSX index would only appreciate about 33%.

The Foolish bottom line

By following Warren Buffett's advice to invest in quality dividend stocks like TD Bank or broad market ETFs like XMH during this market crash, investors will build great wealth in the long run.

Here are some stocks that offer tremendous value.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/06/28
Date Created
2020/04/06
Author
kayng