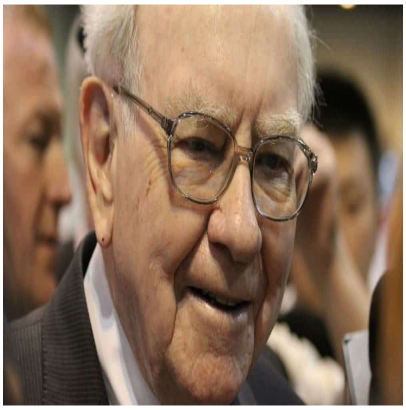

Market Recovery: Warren Buffett's Best Advice for Investors

Description

There is a lot of talk floating around these days about how to protect your investments during a crisis. A lot of these ideas surround fancy strategies and investment options you can utilize to mitigate the damage of a downturn. If you are not interested in learning about sophisticated options, futures, or asset-allocation strategies, you can still keep yourself in excellent shape with some simple techniques.

The Oracle of Omaha, Warren Buffett, has some great advice that the average retail investor can put into play to maximize returns in a difficult market. The advice is simple, direct, and should keep you from making major mistakes with your hard-earned cash while you wait out the current crisis.

Don't check stock prices

Buffett once said that investors should think of the stock market as infrequently as possible. He further stated that investors would be better off if the stock market was only open once a year to make trades.

Just think of the last month. If you were checking stocks daily, you would have watched in horror as stocks sunk from their highs to their lows. It would have been a gut-wrenching ride, possibly causing you to sell your stocks at the worst possible moment.

Now consider if you only checked stocks at least once a month, at the beginning and the end of March. Certainly, you would still have had a loss, but the apparent paper loss would be much less than it would have been at the beginning of the month.

Think of the housing market, as an example. Most people, I would assume, believe their houses maintained their value over the last month. This is due to the fact that there is not a daily market for housing prices. If there were, I could almost guarantee that the market price of houses would have collapsed with stocks. While this would have been only a paper loss, it could have made some people panic sell their properties, much the same as what happened with stocks.

Daily prices are frenetic

The ups and downs of the stock market on a daily basis are insane. Buffett has mentioned that his teacher, Benjamin Graham, had stated that in the short run, stocks are like a voting machine, but in the long run, they are a weighing machine.

Essentially, short-term prices are subject to the fear and greed of the market and the emotions of investors and speculators. In the long run, the value of the company is taken into account reflected in the increasing or decreasing price. Think of your stocks as a long-term asset. Don't check daily stock prices. This will take the emotion out of investing.

Own an index ETF, not individual stocks

Warren Buffett has frequently stated that individual investors would be far better off owning an index fund as opposed to stocks. Owning an index fund has a number of advantages. It is cheaper, for one thing. It often holds a large, diversified portfolio of stocks and frequently has a more secure yield.

Owning an ETF like the **Vanguard S&P 500 Index** only charges a management expense ratio of 0.08%. Compared to all the fees you will incur buying and selling individual stocks, this is quite reasonable. Furthermore, many companies allow you to buy ETFs like the VFV for free — a great advantage for the buy-and-hold-investor.

There are other advantages as well. The ETF also has a small dividend of 1.39%, which should grow over time. It also owns more than 500 companies, each of which gives you exposure to multiple industries, currencies, and geographies.

The bottom line

In this article, I recommend considering following Warren Buffett's investment advice, not investing like Warren Buffett. He has frequently stated that not everyone has the time, aptitude, or patience to invest as he does. Therefore, following this simple advice from the Oracle can help you to keep your investments intact, so you can grow your wealth over time.

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