



Warren Buffett Says All Investors Need to Learn This 1 Boring Thing

Description

For many people, the stock market is an exciting thing. Its unpredictability, movements, sharp falls, and rises offer traders a natural adrenaline rush. But investors should have a different perspective — at least that's what Warren Buffett believes. Buffett is a long-standing believer in long-term holdings and always advises investors to buy good businesses and ignore short-term market movements.

One other piece of advice he offered to young investors, which I think all of us should heed, is to learn accounting. He believes that accounting should be like a second language to investors, something they naturally understand. It might sound boring, but it connects to his overall philosophy of investing in good businesses.

As an investor, if you have a strong understating of accounting, you will be able to analyze a stock, and the underlying business more thoroughly. Buffett also says that investors should understand that they are buying part of a business, not just some numbers moving around on a chart. Good businesses, with strong fundamentals, make for good investments.

Accounting and stock analysis

There are several ways that knowledge of accounting helps an investor make smart investment decisions. For example, some of the assets a company holds might be priced based on obsolete historical values, and might not have the same value if the company sells them in today's market. Similarly, goodwill is usually based on unrealistic assumptions.

An investor trained in accounting might consider these factors relevant and make an investment decision accordingly. He/she may also look deeper into a company's finances than an investor without an accounting background/training might.

A safe stock

You don't have to become an accounting expert overnight, neither would it be a smart thing to do to

stay your hand from investing (despite having capital), until you build up your accounting foundation. Until you have learned to analyze stocks on their fundamental merits thoroughly, you may want to invest in some safe stocks, like **Toromont Industries** ([TSX:TIH](#)).

Toromont is a [Dividend Aristocrat](#) as well as a modest growth stock. In the past five years, the company grew its dividend payouts by 72%, and its market value by about 119%, bringing its five-year CAGR to about 17%. The stock fell about 23% during the crash and still hasn't really recovered yet, which means it's available at a discount.

Currently, Toromont's market cap is about \$5.3 billion. It has a debt of about \$677 million and \$365 million in cash. The company has two major businesses: It sells and leases out heavy-duty equipment, and CIMCO refrigeration – The company designs, fabricates, and installs compression equipment.

Foolish takeaway

Warren Buffett has a knack for timing the market and picking up great stock. But it's not something he [was born with](#). You don't have to have an innate ability to become a successful investor, but you do have to work hard, learn some financial principles, thoroughly research companies you want to invest in, and properly diversify your portfolio. You might also develop an eye for stocks and your own investment strategies.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TIH (Toromont Industries Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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Author

adamothman

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