



## Warren Buffett: Top Lessons on Building Wealth for TSX Investors

### Description

Warren Buffett, the CEO of **Berkshire Hathaway**, has been a pretty active trader in 2020. However, not in the way you might think. Mr. Buffett has been a net seller of stocks and continues to grow Berkshire's massive \$137 billion cash position.

You would think that the March market crash would have been a great opportunity for Warren Buffett to [swipe some really cheap stocks](#). Instead, he continued to build liquidity and has even sold off some sectors, like the U.S. airlines, at a loss.

I know many investors of Berkshire are frustrated at Mr. Buffett's seeming market apprehension. However, I would caution doubting someone who has lived through the Great Depression, a World War, numerous global catastrophes and market failures, and who remains one of the best investors of all time.

So, what lessons can Canadian investors learn from the Oracle of Omaha to help build long-term wealth?

### It's all about liquidity right now

First, "it is liquidity, liquidity, and liquidity, in that order." This is a phrase that Bruce Flatt, CEO of **Brookfield Asset Management**, reiterated in his first quarter letter to shareholders. Due to his contrarian, long-term value approach, Mr. Flatt has often been equated to the Warren Buffett of alternative assets. In the same manner, Warren Buffett and Charlie Munger have both demonstrated that liquidity in these types of crisis environments is key.

The fear-of-missing-out temptation is real, especially when markets have roared back so quickly. Yet **TSX** investors need to make sure that you have enough liquidity or cash, should your financial situation quickly change. Ask yourself: if this crisis leads to a protracted depression, do I have enough cash to cover six months or more of living expenses?

## Great investors like Warren Buffett are patient

Second, patience is a virtue. If the top long-term investment managers in the world are still preferring an over-weighting in cash, then perhaps we should, too. Don't deploy all your investible cash at once.

Although markets remain really optimistic, the rally seems expensive considering the circumstances. While a dip below the March lows is unlikely (due to strong movements by the Canadian Central Bank), some sort of secondary correction is not unreasonable. Remember, the U.S. still has an election that markets have to process as well.

I think Warren Buffett is building his cash position, because he still believes cheaper opportunities are coming. Warren Buffett has navigated bear and bull markets of every shape and form in his lifetime. This isn't his first rodeo, folks.

He knows the value of patience and is waiting for the right businesses to go on sale at the right price. Warren Buffett is building a company that will endure long after he is gone. In the same way, TSX investors should be patient. Don't jump into the market just because things are up. Be patient, slowly deploy capital, and invest with a very long time frame.

## Warren Buffett invests in diversity and strong competitors

That leads to my last point. Investors, like Warren Buffett, own diversity and buy best-in-class stocks. Mr. Buffett [owns everything from Apple to Moody's to GEICO and Burlington Northern Sante Fe](#). Likewise, have diverse exposure to some income, growth, cyclical, and blue-chip stocks. Have a portfolio that is diversified by sector and geography, too.

Also, build a portfolio on the foundation of best-in-class companies. Look for stocks with, excess liquidity, competitive moats, operational stability, and growth potential today and in the future.

## Learn from the best

In conclusion, don't be afraid to admit your investing mistakes (which we all make). Sell your losers, and move on. Warren Buffett famously admitted that the U.S. airlines were a bad investment. Take that cash, upgrade the quality of your portfolio, and then hold those stocks for a very long time. Warren Buffett grew wealthy from owning stocks/businesses for a lifetime, and today, you can, too.

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