

Warren Buffett: How to Invest in a Pandemic

Description

2020 has been a great reminder that no matter how well the economy seems like it's doing, you always need to be prepared for the unexpected. That's why me and several of my fellow Fools recommend investors apply a Warren Buffett-like strategy.

Since the market crash recovered rapidly from the market crash, a lot of investors have been split on whether it may crash again this year. However, even if you don't think there will be one again, and this past week has just been a temporary blip, it's still crucial to be slightly conservative in the near term.

So, it's paramount you make sure you have a portfolio of high-quality stocks and minimize your exposure to high-risk equities.

The first way to maximize the safety of your portfolio is to make sure you've got the mindset of a long-term investor. The shorter your time frame, the higher risk you're taking on, and the more speculative your investment performance will be.

You need long periods to bet on the business cycle continuing to grow. So, no matter what, you'll have a long timeline to see significant appreciation from all your stocks.

How does Warren Buffett put together a portfolio?

Building a Warren Buffett-like portfolio

Early on in Warren Buffett's career, his top strategy was to buy stocks trading at extremely cheap prices. He was a wizard at value investing. This wasn't and still isn't a bad way to invest, buying fair companies at wonderfully undervalued prices.

Over time, however, he figured out a better way to refine this and maximize his long-term results. In addition to buying these fair companies at wonderful prices, he started buying more companies that were wonderful but were just fairly priced.

Today, and as technology has gotten better, and investors have more information at their fingertips, often when stocks are cheap, it's for a reason.

Furthermore, wonderful companies usually are top businesses over long periods. Therefore, if you can find fairly valued companies that can grow at impressive rates, you're better off than buying an undervalued stock and hoping it can turn itself around.

That's the key to good long-term investing all the time, but especially in a pandemic. You should really only be considering **TSX** stocks that are the best of the best and making sure to get them at reasonable prices.

Key takeaways from Warren Buffett's investing style

This [pandemic](#) is unprecedented, so even Warren Buffett had to sell stocks that he changed his mind on. This is important, though.

It shows that even if you have a disciplined approach and rules about investing for the long term, if your opinion about a stock or industry changes, you shouldn't hold onto the stock just because of these rules you have.

It's still crucial to have discipline, but you can't allow your rules to have you make bad decisions, because you don't want to break them in extenuating circumstances. It's not always black and white.

In the last few years, thanks to several factors, airlines have been high-growth stocks and pretty good investments. However, immediately as the pandemic struck, Warren Buffett was quick to sell all his airline stocks.

He recognized early on that due to the pandemic, the industry would not be the same for a while, and although he likes to take a long-term approach, in this case, it didn't make sense, so he sold the stocks immediately.

That doesn't mean going out and selling all your stocks in a market crash — just the ones you know won't perform well over the next few years. That way, you can free that cash up and look for better deals.

A recent Buffett purchase

One of the stocks he has bought with that cash during this pandemic is **Barrick Gold**.

Barrick is one of the largest gold producers in the world, so it's evident that Warren Buffett sees the upside potential in gold and is trying to take advantage through the leverage of a [top gold stock](#).

Many investors have already been buying up gold during this pandemic; however, now that Buffett is on board, it's a clear sign there's still a long way to go for the precious metal.

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Date

2025/08/01

Date Created

2020/09/11

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