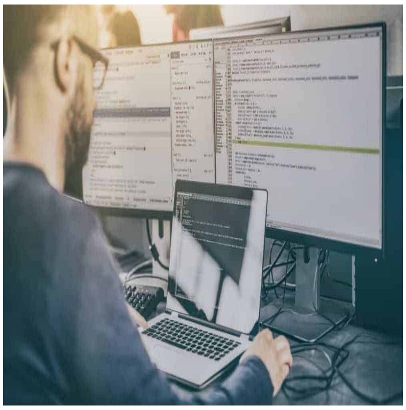

Warren Buffett: Put the Majority of Your Portfolio in This Stock

Description

Warren Buffett is one of the greatest investors ever. His knowledge and understanding of business, economics, and finance is second to none. So, when the Oracle of Omaha makes suggestions for retail investors, it's important to listen.

Buffett is popular because of his incredible track record, averaging a roughly 20% annual return for over five decades. But perhaps Buffett is most popular for the vast amount of advice he has given over the years to help investors with portfolios of all sizes to improve their performance.

Some of his top advice includes guidance on how to value invest, what qualities to look for in a company, and why long-term investing is always the best and lowest-risk way to grow your capital.

And while Warren Buffett never explicitly recommends a stock for retail investors, sometimes he will stop just short of that. One of his most important pieces of advice that generally goes unnoticed has been his advice to retail investors to put the majority of their portfolio in index funds.

He has even left instructions in his will that his estate be invested 90% in an **S&P 500** ETF with the other 10% in short-term government bonds.

That's because, for most investors, including professionals, it's extremely hard to continuously outperform the market indices. So, for retail investors, often, the best choice is to just buy a handful of low-cost ETFs that track the S&P 500 index and let it grow for the long term.

Warren Buffett: Invest in index funds

These days with all the competition, it's extremely easy to find low-cost index funds. These are crucial, because you can start out with a small amount of money and get access to an entire index.

For example, there are plenty of options if you wanted to gain exposure to the S&P 500 like Warren Buffett has recommended. For Canadian investors, one of your top choices is **iShares S&P 500 Index ETF CAD-HEDGED** (TSX:XSP).

Owning the XSP will give you exposure to the 505 stocks on the S&P 500. Furthermore, with this particular fund, it hedges your Canadian dollars, so you don't have to worry about losing money on the currency conversions.

Owning an S&P 500 ETF like Warren Buffett recommends is key, even if you don't live in the United States. The S&P 500 is much more diversified, especially considering the oil-heavy **TSX**. Plus, it has outperformed the TSX considerably in recent years, which is why you don't want to solely own a TSX index fund.

With that being said, it's worth it to diversify the index funds you hold instead of only owning the S&P 500.

So, if you do want exposure to a Canadian index, you could consider the **iShares S&P/TSX 60 Index ETF** (TSX:XIU). The XIU offers investors exposure to 60 of the biggest and best companies in Canada, so it's another way to get broad exposure to the market.

Bottom line

Warren Buffett suggests that investors put a whopping 90% of their investments into index funds. While you may not want to put that much into index funds, for most investors without the investing knowledge or significant time to do adequate research, buying index funds will be your best bet.

You're likely to outperform retail investors who try to actively manage their investments, and you'll also likely save on the fees by reducing your commissions.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)
2. TSX:XSP (iShares Core S&P 500 Index ETF (CAD-Hedged))

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