



Warren Buffett: Do This in 2021 to Retire Rich

Description

Warren Buffett has one simple piece of advice for those who want to retire rich. He first shared it publicly in his 2004 letter to investors, but gave it in finance classes he taught long before that. Heading into 2021, this advice seems more pertinent than ever. In this article, I'll reveal exactly what that advice is — along with where Buffett thinks you should invest your money.

“Be greedy only when others are fearful”

In his [2004 letter to shareholders](#), Buffett shared the following advice: “Investors should remember that excitement and expenses are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy only when others are fearful.”

It's the last line in that quote that has gone on to become a classic. The line is constantly repeated in financial media and market commentary, where it's frequently repeated along with lists of Buffett's latest buys. Essentially, it means to buy when others are selling and to sell when others are buying. In practice, it means to buy in market downturns. When stocks are declining precipitously, it's usually because people are letting fear get the better of them. If you buy during these downturns, you can profit in the ensuing recovery. That can lay the ground work for retiring rich.

Where Buffett thinks you should invest your money

It's one thing to note *how* Buffett thinks you should invest, but quite another to try to decipher *where* he thinks you should invest. All Buffett's “be greedy” quote tells us is how you should time your buys. It doesn't tell us anything about *what* you should buy.

For a long time, Buffett's advice on *that* front was more opaque. Buffett has never given out stock tips, and while you could always read Buffett's quarterly filings, those usually came months after he started buying. It's never been entirely clear what Buffett thought investors should buy at any given moment. However, there is one investment Buffett definitely recommends for *all* markets: index funds.

Index funds are pooled investments built on stock market indexes. These funds have low fees and high levels of diversification. Thanks to these characteristics, index funds are perfect for beginner investors. And just recently, Buffett started buying them himself, with a foray into the **SPDR S&P 500 Index Fund**.

As a Canadian investor, you have plenty of index funds to choose from. You can always copy Buffett and buy an S&P 500 fund, such as SPY or the **Vanguard S&P 500 Index Fund**. You could also consider Canadian index funds. The Canadian indexes are cheaper than the American indexes at the moment, and Canadian stocks have higher average dividend yields than American stocks.

So, in 2021, an index fund like **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)) might be a worthy addition to your portfolio. XIU gives you instant exposure to the 60 largest Canadian stocks by market cap. It has a [low \(0.18%\) MER](#) and a fairly high dividend yield. Also, as a Canadian fund, you can hold it without paying withholding taxes to the IRS, which you'd have to pay if you held VOO or SPY outside an RRSP. So, XIU is a very tax-efficient, low-fee, relatively high-yield Canadian ETF that could go along way toward financing a wealthy retirement.

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