Warren Buffett Wisdom to Help You Retire Early

Description

Warren Buffett isn't just the greatest investor of our generation; he's a wonderful teacher with a wealth of investment knowledge to share with his followers. If you're a beginner investor who's looking to dip a toe into the equity markets, it can pay dividends to listen to Warren Buffett's past words of wisdom. When he talks, it can pay even bigger dividends to be all ears. And whenever he acts, he may be leaving top-down hints as to where the best value opportunities may lie at any given instance.

While it's never a good idea to follow a guru such as Warren Buffett blindly into or out of a stock (you'll get dinged with a Buffett premium if you attempt to follow him into his latest bets), trying to put yourself in his shoes may help you tilt the risk/reward in your favour.

Take Warren Buffett's 2020 moves. He was quite cautious. Probably more cautious than he would have liked back in the depths of March and April after the stock market was finished crumbling like a paper bag. Of course, hindsight is 20/20.

Playing it safe in a pandemic-plagued year

Instead of backing up the truck with **Berkshire Hathaway's** cash hoard, as fellow billionaire investor Bill Ackman thought he would have done, Warren Buffett did a bit of selling and a few modest bets in some pretty defensive areas of the market. Think grocers and top gold miner **Barrick Gold**. More recently, the Oracle of Omaha placed a bet on Japan's "Steady Eddie" sogo shosha companies and a wide range of healthcare firms, both of which were modestly priced and pretty defensive in nature.

Warren Buffett's cautious optimism raised the question: Are we in for a devastating stock market crash, the likes of which we may not have seen since the crash of 2008-09?

While it may still be too soon to conclude that the man was wrong not to back up the truck on stocks in 2020, I think the skeptics are a bit too hard on the man, especially given Berkshire Hathaway was pretty vulnerable to a pandemic going into 2020. The firm wholly-owned many firms that were essentially at ground zero of the crisis, which made it tough to pivot and avert the damage caused by the insidious coronavirus. Can we blame Warren Buffett for erring on the side of caution, given COVID risks weren't as balanced as he would have liked in early 2020? Probably not.

What's up with Warren Buffett's cautious tone?

Going into 2021, I think Warren Buffett is likely to continue with his cautiously optimistic approach to investing. He's not one to time the markets. But he's also one to curb his optimism when he believes we're in the late stages of a market cycle, where the longer-term risks may outweigh the potential rewards.

In Howard Marks's magnificent book *Mastering the Market Cycle*, the man goes into detail on how investors can tilt the odds in their favour based on where they think we are in the market cycle. It's not easy to know which inning we're in right now, but if Warren Buffett's moves are any suggestion, we may be in the latter innings and the coronavirus crisis may be a profound bump in the road, rather than a complete market cycle reset.

In any case, I think investors should not take Warren Buffett's recent defensive moves lightly. If Berkshire starts buying into Barrick Gold stock again, I think investors would be wise to gain some precious metals exposure as well, even though Buffett has slammed the metal in the past.

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