Heeding Warren Buffett’s Advice: Here’s How I’m Investing for 2021

Description

The stock market may be frothy, but that doesn’t mean you should be like Warren Buffett and sit patiently on the sidelines with a mountain of cash until the next crash hits. Far too many young investors are sitting on their savings. By doing so for too long, one stands to surrender their greatest edge in the investing world: time.

Although it’s tempting to sell your stocks with the intention of putting it back in at the bottom of the next market sell-off, beginner investors will quickly discover that it’s difficult, if not impossible, to get out at the peak and get back in at the bottom constantly. It’s an impossible feat that’s primarily based on luck.

The great Warren Buffett doesn’t time the markets over the near term, even if he deems a market is expensive with a lack of bargains. The man stays invested through good times and bad, through an abundance of bargains and through frothy markets.

Warren Buffett is cautious, but he’s still optimistic over the long term

In last year’s **Berkshire Hathaway** annual shareholders’ meeting, Warren Buffett has a pretty sombre tone. He brought up slides with flashbacks to the Great Depression and urged investors to be cautious but not to bet against America.

He’s an investment legend, but not even he can see what’s up ahead in this pandemic-plagued environment. Warren Buffett is humble enough to acknowledge what he doesn’t know and that even he has the potential to be wrong in a big way!

That’s why it makes sense to be cautiously optimistic amid profound uncertainties.

You can rebalance your portfolio to better mitigate risks brought forth by COVID-19 (Warren Buffett did this himself by ditching his airline stocks at a loss). But it’s never a good idea to take on an extreme stance (100% cash or equities), because there’s always a chance that you could be wrong, and you’ll have to pay the price, whether through steep losses in a stock market crash or missed upside if markets continue rallying to new heights.

Don’t even try to time the market!

Nobody can time the markets — not Warren Buffett and certainly not the market strategists on television. With that in mind, investors should seek to grab the bargains that they do see in a market, regardless of what anybody else says the markets will do over the near term.

Even if the markets meltdown the day after you’ve purchased shares of a company, such arbitrary short-term fluctuations should not impact your stance on a name if you’ve done your research. In fact, a subsequent plunge should entice you to purchase even more shares at better prices, as Warren Buffett constantly does.

In 2021, I’ll be paying less attention to market forecasts and will buy stocks that trade at a discount to my estimate of its intrinsic value, regardless of market-wide sentiment.

Deep value in Couche-Tard

At this juncture, I see deep value in shares of **Alimentation Couche-Tard** (TSX:ATD.B), a battered convenience retailer that I believe fell into the “misunderstood” basket following management’s failed pursuit of French grocer Carrefour. The deal, which has since fallen through, confused almost everybody on the Street.

Analysts and investors were scratching their heads over the firm’s surprising pivot. And although I’m a shareholder who did not appreciate the lack of communication leading up to the announcement of management’s intent to takeover a grocer, I get the deal and think the stock has been unfairly punished.

The stock is still down considerably from its Couche-Carrefour mishaps, and I think now is the right opportunity to pounce, regardless of where stocks are headed over the near term. The stock trades at 12.6 times trailing earnings, making it the cheapest it’s been since crisis-level lows. Now is the time to act before management has a chance to clear things up with its new strategy.

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