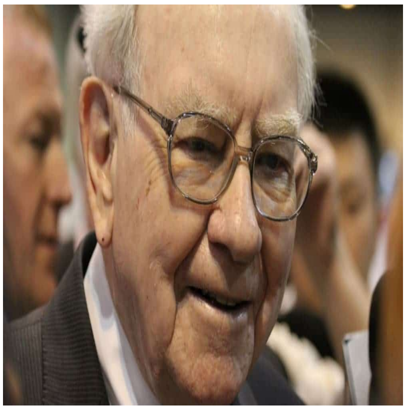

No Savings at 50? I’d Use Warren Buffett’s Methods to Get Rich and Retire Early

Description

Warren Buffett’s investment strategy has been hugely successful for many years. His long-term approach and purchase of high-quality companies trading at low prices has allowed him to outperform the stock market.

Following a similar approach could help to build a retirement nest egg over the coming years. With many shares appearing to offer good value for money right now, today could be the right time to start that process – even from a standing start at age 50.

Warren Buffett’s long-term approach

One of the key parts of Warren Buffett’s approach to investing is his long-term outlook. He avoids short-term fads and instead seeks to maximise returns over many years, and even decades. In doing so, he provides his portfolio holdings with the time they need to deliver on their potential. His strategy also allows compounding to have maximum impact on portfolio value.

An investor aged 50 may not have as much time to build a retirement nest egg as someone starting their career. However, they are likely to have 15+ years left of working until they retire. As such, they have a long time horizon and may be able to follow Buffett’s lead in using a buy-and-hold strategy to improve their financial position.

Investing money in high-quality stocks at low prices

Another facet of Warren Buffett’s investment strategy that could be useful to many investors is his focus on buying undervalued shares. This does not mean that he buys cheap shares in low-quality companies, or that he seeks to buy the best stocks at any price. Instead, he combines the two approaches to purchase high-quality stocks when they have low prices.

In many cases, their low prices are caused by weak operating conditions prompted by a tough economic period. History shows that such conditions are unlikely to last in perpetuity, since the economy has always recovered from its challenges to post improving growth rates. As such, buying companies with solid financial positions and wide economic moats while they experience temporary challenges could be a sound move.

Investing for retirement

Using Warren Buffett's strategy could lead to impressive returns that beat the stock market's performance over the long run. Even if an investor matches the 8-10% annual total returns of indexes such as the FTSE 100 and S&P 500 over recent decades, they could build a surprisingly large portfolio by retirement.

For example, investing $1,000 per month over 15 years at a 9% return would produce a portfolio valued at $381,000. From this, a 4% annual passive income would amount to over $15,000 per year. By following Warren Buffett's strategy it is possible to beat such returns in the coming years to produce a larger nest egg and a more generous income that could even lead to an early retirement.

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peterstephens