Warren Buffett: Don’t Treat Investing Like Gambling!

Description

Charlie Munger once said, “Stock picking is like gambling: those who win well seldom bet, but when they do, they bet heavy.” The vice-chair of **Berkshire Hathaway** and Warren Buffett’s partner in business seems to contradict Berkshire’s head because Buffett believes you should not treat investing like gambling.

Munger is not the first person to compare stock market investing to gambling, and he will not be the last. While true investing and gambling do not overlap, investing can certainly *feel* like gambling.

I will discuss a stock that could make investing seem like gambling and a stock that could make for a sound addition to your investment portfolio, aligning with how Buffett recommends treating investing.

Stock pick if you gamble like Charlie Munger

Air Canada (TSX:AC) is a stock that could make investing feel like gambling. The airline industry has been hit harshly and continues to experience pain due to the pandemic. Many investors have gone from wondering *if* Air Canada will go bankrupt to waiting for *when* it goes bankrupt. The stock has not been this slow since 2017.

Trading for $26.30 per share at writing, Air Canada is down by almost 24% year to date. However, it could be a win-big, lose-big bet for investors daring enough to buy its shares. If Air Canada goes bankrupt, its high debt levels will mean that its shareholders might not get paid anything after the company’s assets are sold to pay off its debts.

However, if Air Canada stock rallies amid improving global conditions as the pandemic subsides, it could be a massive win for its shareholders. Investors might get the chance to double their investment if the stock climbs to its pre-pandemic valuation.

Stock pick if you do not want to treat investing like gambling

The **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is a staple investment for long-term buying and holding. The company was not entirely immune from the effects of the market crash. Banks typically face significant problems during market crashes. However, financial institutions like the Royal Bank of Canada have economic moats wide enough to ride out the wave and make it through to the other side.

RBC is the largest among the Big Six Canadian banks in terms of its market capitalization. It could be the safest bet there is if you consider the Canadian financial sector. The company has seen massive revenue come from its wealth and commercial management sector. It is also entering emerging markets, promising substantial growth for the bank in the future.

Investing in the Royal Bank of Canada aligns more with Buffett's long-term investing strategy. You purchase shares of a high-quality company trading below its potential and hold onto its shares for the long run to enjoy significant returns on your investment.

While I don't mean that it could *never* result in lost capital, it's an asset that has stood the test of time through several market crashes to emerge stronger on the other side.

Foolish takeaway

While treating investing like gambling can pay off with massive returns, it can just as easily lead you to lose your investment capital. Treating investing like owning part of a business and buying shares of companies that are likely to succeed can virtually guarantee you returns on your investments.

Air Canada *might* have a better outlook if the situation improves. However, the Royal Bank of Canada is undoubtedly the safer investment between the two.

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Author
adamothman