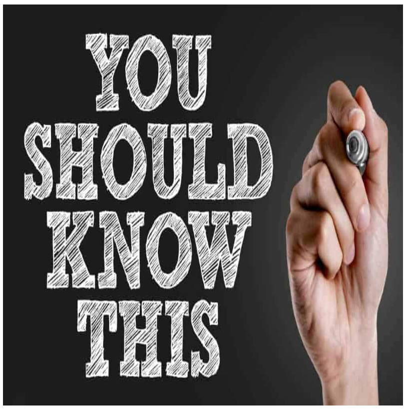

New to Stock Investing? 3 Warren Buffett Tips for You!

Description

Stocks are inherently volatile. Stock prices can go up or down in the short run. Sometimes their action is driven by news — good or bad. Other times, they seem to move with no reason at all.

Aiming to trade in and out of stocks quickly can be a swift way to lose money. It would serve well to build your wealth securely if you get started with the following tips from none other than Warren Buffett. I'll throw in some concrete examples for illustration, too!

Rule No. 1: Never lose money

Warren Buffett's number one rule is to never lose money. It makes perfect sense. If you're losing money, then your investment capital will shrink, which defeats the purpose of building wealth through stock investing.

Buffett aims to never lose money by choosing to invest in wonderful businesses, saying, "Time is the friend of the wonderful company, the enemy of the mediocre."

In the long run, the quality (or not) of an underlying business will surface. Wonderful businesses will simply become more valuable over time.

Buffett loves cash cow assets, including his BNSF railroad business and the natural gas transmission and storage business it's acquiring from **Dominion Energy** this year.

Brookfield Infrastructure Partners L.P. is the kind of wonderful business that consists of these kinds of cash cow assets. In fact, since its inception in 2009, the stock has delivered industry and market-beating returns of 24% per year.

Right now, this dividend stock is modestly undervalued with a yield of 4%. By buying the stock here with a long-term investment horizon, investors will never lose money while earning a growing dividend income.

Don’t borrow to invest

Here’s another one of Buffett’s quotes: “I’ve seen more people fail because of liquor and leverage – leverage being borrowed money. You really don’t need leverage in this world much. If you’re smart, you’re going to make a lot of money without borrowing.”

Low interest rates have made it very tempting to borrow. It’s easy to get into the habit of borrowing. Investors might not borrow directly to invest. They might be borrowing through credit cards or lines of credit to enjoy things and experiences in life. And if they’re also investing at the same time, then they might be spending more than they intend to, as interest expenses from debt add up.

While it’s one thing to borrow when interest rates are low, what happens when they go higher? Interest expenses will climb very quickly.

Other than borrowing to buy a home, it might be wise to pay off other kinds of debt. Particularly, take care to pay off high-interest debt like credit cards every month. You need market-outperforming returns to make up for the high expenses incurred from credit cards. So, pay off your credit cards before you invest in stocks!

Buy when stocks go on sale

Warren Buffett is very patient. He loves to invest billions of dollars when the market tanks and most of the market is afraid to invest. However, that’s when there’s minimal risk in stock investing because you’re paying 50 cents for a dollar, figuratively speaking.

Buffett thinks “It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

In any market, you can find stocks trading at different discounts. You have a choice of ignoring them or taking up the discounts. Your money is precious and limited. So, I’d urge you to stick with wonderful businesses like BIP that put your long-term investment in a never losing money situation while paying you a nice income.

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