Warren Buffett: This 1 Huge Investing Mistake Could Devastate Your Nest Egg

Description

Warren Buffett advocates long-term investing, and he rarely changes the strategy regardless of market behaviour. One of his famous quotes reads, "Our favourite holding period is forever." People with long-term financial goals or are building their nest eggs can adopt the same investing approach.

The famed value investor prefers stocks over bonds and cash equivalents for long-term investing. Treasury bills, short-term government bonds, commercial papers, money market funds, and marketable securities are cash equivalents. However, in his most recent letter to **Berkshire Hathaway** shareholders, Buffett cautions against investing in bonds or fixed-income investments these days.

While bonds are less risky and cash equivalents have high credit quality, the returns might not be enough to produce a considerable nest egg. It could be a mistake holding more of them in your investment portfolio for retirement.

Best shot to grow retirement fund

The GOAT of investing believes that investing in stocks is your best shot to build wealth or retirement funds over the long run. He said, "If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes."

Buffett amassed a fortune through stocks and during bear markets when everyone is pessimistic. He says, "We simply attempt to be fearful when others are greedy, and to be greedy only when others are fearful."

Loyal followers can learn from Buffett's nuggets of wisdom. A valuable piece of advice is that don't buy a stock merely because you think its price will increase. Even the best investors can't predict how the market will perform, so pick your stocks wisely. Invest in businesses that you understand and offer long-term value.

The Berkshire CEO also doesn't think investors should worry about the stock's performance in the near term. He maintains a long-term view every time. More important, you should be able to buy the stock at a sensible price. However, Buffett will not hesitate to change stocks when his decisions are wrong. He won't throw more money into it anymore.

Retirement-friendly stock

The **Bank of Montreal** (TSX:BMO)(NYSE:BMO) is a suitable investment for Canadians with long-term financial goals. Canada's fourth-largest bank is perhaps the most retirement-friendly stock, given its 192 years dividend track record. This $72.18 billion bank is the first company ever to pay dividends.

In March 2020, the share price sunk to as low as $55.76. Investors who didn't have faith in BMO would have sold the stock out of panic. By the end of the COVID year, the price was $95.73, or a 71.6% rally from its 52-week low. As of March 19, 2021, you can purchase BMO shares at $111.58. Current investors are up 16.5% year-to-date.

BMO pays a respectable 3.79% dividend, while the payout ratio is less than 52%. If you have $100,000 savings to invest today, the money will compound to $253,447.38 in 25 years. Assuming your investment is four times more, you'll have a little over $1 million in nest egg by 2046.

Spread out the risks

When saving for retirement, consider how best to invest your money. Retain cash for emergency or liquidity. Diversify and determine how much you'll invest in bonds, cash equivalents, and reliable dividend stocks like BMO. You won't devastate your nest egg by spreading out the risks and not putting all your money into one type of investment.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

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