



Warren Buffett Holds Just 1% of His Wealth in Cash

Description

There is a very popular assertion among many investors that having a lot of cash on hand to make acquisitions is an ideal way to go. It could be a massive mistake if you agree with what Warren Buffett has to say about holding cash.

Warren Buffett is the world's most powerful investor. The CEO of **Berkshire Hathaway** is called the Oracle of Omaha for his incredible ability to recognize excellent value stocks in equity markets for [long-term wealth growth](#). His conglomerate holds over US\$130 billion in cash.

Many investors might think it is a wise decision to hold onto most of their capital in cash. However, you should note that this massive amount is not actually Warren Buffett's cash.

Cash is NOT king

Warren Buffett is estimated to be worth US\$95.8 billion, but he keeps only about US\$1.03 billion in cash, accounting for just 1% of his net worth.

The Oracle of Omaha is very frugal in his spending, and he spoke against the rationality of holding cash, saying, "The one thing I will tell you is the worst investment you can have is cash. Everybody is talking about cash being king and all that sort of thing. Cash is going to become worthless over time. But good businesses are going to become worth more over time."

His conglomerate holds shares of and completely owns several high-quality publicly-traded companies worldwide. Buffett's massive wealth growth is attributed to his 15% economic interest in Berkshire Hathaway, not by interest income from holding his capital as cash in bank accounts.

A stock for impressive returns

Given Buffett's stance on holding cash, it is clear that investing capital into high-quality stocks could be a far better way for you to use your cash to earn more money for yourself. There are several excellent

opportunities on the stock market right now that can provide you with immense wealth growth.

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is one such stock that you could consider adding to your portfolio for this purpose. Recent years have seen a massive increase in demand for Electric Vehicles (EVs). According to Fast & Factor, the EV market could grow to \$700 billion by 2026, at an annualized 22% growth rate. Given the high growth potential for the industry, Magna could be an excellent investment.

The auto component manufacturing giant has joint ventures with the likes of LG Electronics and Beijing Electric Vehicle Company. Both partnerships offer the company high-growth prospects. Additionally, Magna International produces a range of electric powertrain products that can benefit due to the increasing popularity of EVs.

Foolish takeaway

Magna International is trading for \$109.35 per share at writing. Its current valuation represents a massive 142.51% growth in the last 12 months. Despite its massive gains in the last year, the company could provide investors with significant returns as the EV industry continues to grow.

Holding shares of a [high-quality growth stock](#), in the long run, could provide you with substantially greater wealth growth than holding the equivalent amount in cash within a high-interest savings account. Magna International could be an excellent asset to consider for this purpose.

CATEGORY

1. Investing

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2. TSX:MG (Magna International Inc.)

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