



Canadian Investors: 3 Warren Buffett Lessons on Buying Stocks

Description

Although Warren Buffett doesn't own many Canadian stocks, there is still a lot that investors can learn from the Oracle of Omaha about buying stocks.

[Buffett](#) is one of the best investors ever, and not only is he well educated, but after more than five decades managing **Berkshire Hathaway**, he has built up a tonne of experience.

So, these lessons come from a knowledgeable individual who has been around the block and seen his fair share of market cycles.

Furthermore, Buffett has adopted his investing style over time, as he gains new experiences and watches the entire financial sector grow and innovate.

Although you can find some great stocks by looking at what he's buying, there's a lot more value in learning the important lessons and principles for investing that you can carry with you for decades.

Warren Buffett has warned investors not to over diversify

Diversification is key and one of the most important aspects of investing to reduce risk. However, there is such a thing as too much diversification.

Warren Buffett has warned investors not to overdiversify. You shouldn't buy a stock just to add diversity to your portfolio. Plus, at a certain point, adding more stocks adds little to no diversification.

Another drawback of owning too many stocks is that it makes it a lot more difficult to keep up with each company's developments.

So, while you should definitely diversify your money, be careful not to invest in too many stocks.

“Be fearful when others are greedy and greedy when others are fearful.”

This may be one of the most popular Warren Buffett quotes, and rightly so. It perfectly emphasizes what long-term investors need to do to be successful.

When you invest for the long term, you are surely going to experience countless market cycles. So, rather than trying to avoid these [market pullbacks](#), investors should embrace them and use them as the chance to take advantage of stocks trading at low prices.

What's most important is always keeping a long-term mindset and understanding when markets are getting frothy and others are being greedy as well as when it's the best time to buy stocks, and it's your chance to be greedy.

Warren Buffett looks to buy stocks with wide economic moats

Lastly, if you're looking for top stocks to buy, the best companies will be ones that have a major competitive advantage. Warren Buffett likes to call this an [economic moat](#).

Companies that enjoy major competitive advantages usually operate in industries where they dominate and that have significant barriers to entry.

These stocks will offer steady growth over time while staying highly resilient through market downturns.

A perfect example is a Canadian stock like **BCE**. BCE is a massive company with operations across Canada. Not only are there huge barriers to entry to get into the telecom business, but it's also a staple. Furthermore, the stock has strongly integrated operations offering impressive synergies.

This allows it to be a massive cash cow and therefore a Dividend Aristocrat. Plus, it also offers tonnes of long-term growth potential, especially with the recent introduction of [5G technology](#).

Bottom line

These wide-moat companies are often blue-chips and great stocks to own for the long term, which is why these are the stocks Warren Buffett looks to buy.

However, sometimes you can find cheap stocks before they break out — disruptors in their industry that are creating their own barriers.

A stock like **Amazon** only 10 years ago had a market cap below US\$100 billion. Nowadays, it continues to grow rapidly and is worth more than US\$1.6 trillion. Investors in Amazon have made over 1,600% during that span. Over the last 15 years, they've made more than 9,000%. And if they've continued to hold, they'd now own one of the best growth stocks, with one of the widest moats that there is.

So, although a lot of these wide-moat stocks that Warren Buffett likes to look for will be blue-chips with

stable and steady growth, when you can find one while it's still cheap, you have the potential to see huge returns.

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Author

danieldacosta

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