



Warren Buffett: The Only Stock Recommendation He's Ever Made

Description

Warren Buffett is widely known as one of the best investors ever. In addition to his incredible track record, which may never be matched, he has also offered a tonne of advice over the years.

As much advice as he's given, though, and explanations for why he's buying the stocks that he's buying, he has never really recommended any stocks for investors to buy.

[Buffett](#) gives you all the tools and advice to go out and decide what stocks work best for you and your portfolio. But he never really exclusively recommends a specific stock to investors.

However, there is one stock recommendation that Warren Buffett has made for investors on several occasions.

The number one investment Warren Buffett recommends

Warren Buffett has often said that investors should strongly consider buying a low-cost index fund, preferably the **S&P 500 Composite Index**.

The reason Buffett recommends investing in [index funds](#) is that stock picking is extremely difficult. Even some of the best professional managers struggle to outperform the stock market consistently.

There are a variety of factors that go into investing. On top of that, doing the research and keeping up to date just with the stocks you own in your portfolio is very time-consuming. This is why Warren Buffett recommends index funds.

It's certainly a lot harder for retail investors — and beginner investors at that — to pick their own stocks if not for the fact that you may just not have time.

This doesn't mean you can't make money picking your own stocks. But even if you're making money, if you're underperforming an index fund picking your own stocks, you're leaving profits on the table.

So it's not a bad idea to consider buying an index fund or two, which will provide great diversification for your portfolio and serve as an excellent long-term investment vehicle.

A top index fund for Canadian investors

One fund to consider is the **iShares S&P 500 Index Fund (CAD Hedged)** ([TSX:XSP](#)). The XSP is the perfect way for Canadian investors to gain exposure to the [S&P 500](#).

You could consider any market index fund, but Warren Buffett usually recommends the S&P 500 for investors. This gives you exposure to 500 of the best companies located in the country with the strongest economy on the planet.

And because Warren Buffett always believes in America's potential to continue growing its economy over the long term, it makes sense that he recommends a passive investment vehicle with tonnes of diversification.

Over the past five years, the ETF is up by more than 110% or a compound annual growth rate (CAGR) of more than 16%, which is impressive and consistent growth.

Over the past decade, it's much of the same story; a total return north of 270% and a CAGR upwards of 14%. So a \$10,000 investment in the XSP a decade ago would be worth more than \$37,000 today.

The XSP is one of the top ETFs to buy if you want to heed Warren Buffett's advice. It's specifically attractive for Canadians because you don't have to worry about any foreign exchange risk.

You don't necessarily have to invest your whole portfolio in index funds. Whatever you choose to do, though, I'd strongly recommend investors consider at least a portion of your portfolio in a fund like the XSP.

Index funds are some of the best and easiest investments you'll ever make.

CATEGORY

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1. TSX:XSP (iShares Core S&P 500 Index ETF (CAD-Hedged))

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