



## Warren Buffett: A Top Stock Recommendation for Beginner Investors

### Description

There's no better investor to model your portfolio after than Warren Buffett. Buffett is well-known as the best long-term investor of all time. He doesn't just earn massive returns, though. He also offers priceless advice, especially for beginner investors.

Over more than five decades, Buffett has earned a compound annual growth rate (CAGR) of 20%.

To give investors perspective, if you started with just \$1,000 today and never saved or added any money to your portfolio but grew that \$1,000 at a CAGR of 20%, it would be worth more than \$9 million after five decades. This is how impressive the growth of Warren Buffett's long-term portfolio has been.

Throughout those more than five decades, [Buffett](#) has also offered investors timely advice.

His advice spans many topics, from how to [invest for the](#) long term, how to select your investments, and even how to manage your personal finances.

In terms of recommending stocks for investors, though, Warren Buffett has never really done that, with one exception.

### The only stock recommendation Warren Buffett's ever made

Warren Buffett has recommended that investors, especially beginners, strongly consider putting a large portion or even all of your portfolio in low-cost index funds.

Investing in a low-cost index fund will give investors great diversification, and you don't have to worry about researching and keeping up to date with a portfolio of stocks.

Rather, all you have to do is focus on saving money and adding it to your portfolio. This sounds simple, but the truth of the matter is that most investors complicate investing for themselves.

Even the best professional managers struggle to outperform the market consistently. So if it's even

difficult for the pros to pick individual stocks successfully, common sense would suggest that gaining exposure to the market through a low-cost index fund is the best option for beginner investors.

Not only does it likely offer the best return potential, but it's a lot less time-consuming to buy a passive investment like an index fund.

This is why Warren Buffett suggests that beginner investors buy an index fund for their portfolio, or at least use an index fund to help diversify their portfolio.

You don't have to invest in an index fund exclusively. However, even putting 25% or 50% of your portfolio in an index fund can be a great hedge and complement the stocks you choose yourself.

## A top stock for beginner investors

There are plenty of high-quality index funds to consider. However, one of the top stocks for beginner investors to buy if you want to heed Warren Buffett's advice is the **iShares S&P 500 Index Fund (CAD-HEDGED)** ([TSX:XSP](#)).

The XSP offers exposure to roughly 500 of the largest stocks in America. The fund gives investors natural diversification and a tonne of stability, all for just 0.1% in fees. Plus, because it's hedged for the Canadian dollar, you don't need to worry about any foreign exchange risk.

The XSP is a great way to gain exposure to several companies and do so in the most cost-effective way. America has the most powerful economy in the world, so spreading your investment across some of the largest 500 stocks is a prudent choice. This is exactly why Warren Buffett recommends it as a top strategy for beginner investors.

And just because it's a safer and less time-consuming investment doesn't mean it can't earn investors impressive returns.

Over the last five years, the fund has gained more than 110% or a CAGR upwards of 16%. So if you're looking for an easy and passive investment vehicle that can grow your hard-earned capital rapidly, I'd strongly consider Warren Buffett's advice and buy a low-cost index fund to complement your portfolio.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Investing
2. Stocks for Beginners

**Date**

2025/08/18

**Date Created**

2021/07/08

**Author**

danieldacosta

default watermark

default watermark