



## Invest More Like Warren Buffett to Make Big Bucks

### Description

Warren Buffett is one of the greatest investors of our time. He loves dividends, but a point that is often missed is that during his early years of running **Berkshire Hathaway**, he invested in small-cap stocks.

He wouldn't invest in small-cap stocks today, because he's working with too much capital. Small-cap stocks simply wouldn't move the results of the overall roughly \$648 billion market cap company much. Additionally, if he were to buy small-cap stocks, it would move the stocks up *a lot*.

If anything, Buffett would want to quietly accumulate shares of wonderful businesses that are attractively valued to avoid other investors catching wind of the news. With the multi-billions of dollars of cash that Berkshire has, he can only do so with large-cap stocks — sometimes, even outright buying an entire company.

[Warren Buffett](#) also loves buying businesses at a big bargain. That means being patient and waiting for the right opportunities.

## Sit on dividend stocks to make big bucks

A well-diversified set of quality dividend stocks are a delight to hold in any investment portfolio. As a whole, they would provide perpetual passive income.

In an expensive stock market, you can save the dividends for future investment or spend them. In a bear market, your dividend stocks should be more defensive. Importantly, you can reinvest the dividends into bargains.

The Canadian Dividend Aristocrat list is a marvelous place to begin your research for quality dividend stocks. Off the top of my mind, **Fortis**, **Enbridge**, and **TELUS** are dividend stocks with decent yields on that list. They have track records of growing their dividends over time, which more than helps you maintain your purchasing power.

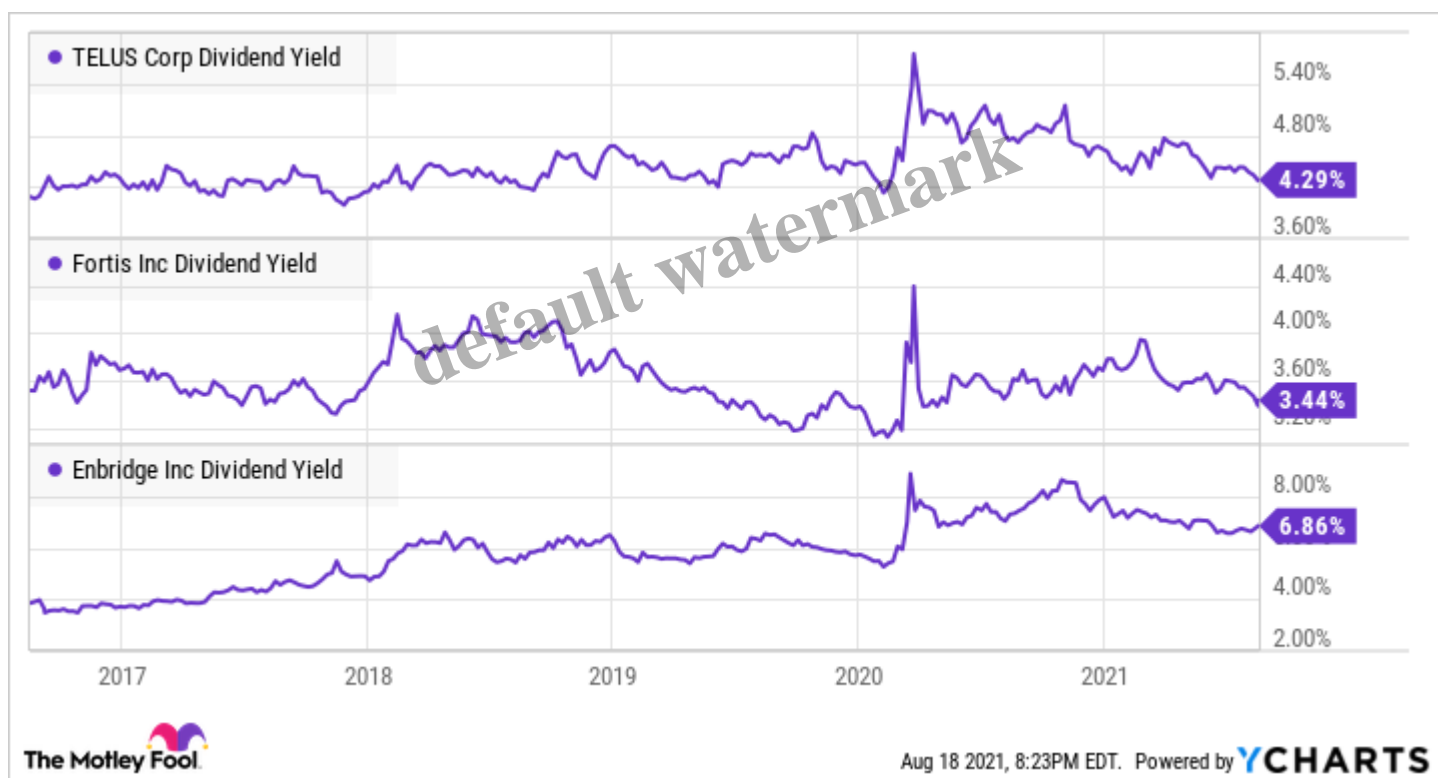
For example, a loyal Enbridge shareholder who'd bought his shares in 2001 would be sitting on a yield

on cost of about 30%! That means he'll be earning a return of more than 30% on his initial investment going forward — without care of what the stock price does, as long as Enbridge at least maintains its dividend.

## Looking for bargain stocks

Bargain stocks are not so easily identifiable in a bull market. When stocks appear to be trading at steep discounts, it's often because they have some near-term problems or high uncertainty. That said, here are some tips for finding bargain stocks.

For dividend stocks with safe yields, you can observe their yield history to determine if they could be bargains. A quick glance in this chart suggests Fortis, Enbridge, and TELUS could be bargains when they yield +4%, +6.5%, and +4.7%, respectively. But you should still investigate the other fundamentals of a company when it appears to be a bargain.



Dividend Yield data by YCharts.

High-growth stocks could be a bargain on a forward basis if they're growing revenues, adjusted EBITDA, earnings, or cash flow at a high pace and if that incredible growth is expected to continue.

## How to make big bucks from small-cap stocks

As a group, small-cap stocks are destined to outperform large-cap stocks in the long run simply because companies grow the fastest when they're small. However, investing in small-cap stocks individually can be risky.

You must research extensively and buy a basket of carefully selected [small-cap stocks](#) with great growth outlooks. Alternatively, you can buy small-cap exchange-traded funds during market corrections.

## Foolish closing thoughts

In his earlier years of running Berkshire Hathaway, Warren Buffett invested in small-cap stocks that provided incredible growth potential. If you're not comfortable with small-cap stocks yet, you can also make big bucks from buying bargain or dividend stocks.

No matter which stocks you invest in, Buffett's long-term investing mindset suggests that great wealth is accumulated, for the long haul, through persistently investing in the market and withstanding market volatility.

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### Date

2025/07/27

**Date Created**

2021/08/19

**Author**

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