Young Investors: Warren Buffett's Returns Prove That Now Is the Time to Start Investing

Description

Warren Buffett is well known as one of the best long-term investors of all time. Part of what makes Buffett such an impressive figure, though, is that he has used a simple, straightforward, long-term investing strategy in order to accumulate his wealth.

Unlike some of the other wealthiest people in the world who have created a significant company or technology, Buffett has amassed his fortune by buying and holding stocks. And unlike other investment professionals, he's done it with a simple strategy that can be repeated by any investor, so long as they have the time to do thorough research and the discipline and patience to wait for the market to play out naturally.

We all know Warren Buffett has made billions, but it's his consistent compounding of capital that is what's so impressive.

For over five decades, from 1965 until the end of 2021, Buffett has grown the per-share value of **Berkshire Hathaway** stock at a compounded annual growth rate of 20.1%. So, let's look at how much money we could make in a TFSA, earning Buffett-like returns over a long time horizon.

How much money can make earning returns similar to Warren Buffett in your TFSA?

If you were to start investing at 30 years old, with $50,000, and committed to saving $500 a month ($6,000 a year) every year until retirement, by the time you were 65, you would have saved $210,000 plus the original $50,000 for a total of $260,000 in savings.

But what if you began to invest that $50,000 right away, compounding the money at a rate similar to Warren Buffett, around 20% annually, while simultaneously adding the $500 monthly savings to your portfolio? By the time you're 65 years old, your portfolio would be worth a whopping $47.2 million. And that's still on just $260,000 of total savings.

This is the power of compounding your money and investing for the long term. Both the growth rate of 20% and the length of time you allow your money to compound are significant factors in earning so much capital.

If you were to earn only half of Buffett's returns, an average of 10% a year (which is very reasonable for retail investors to accomplish), your portfolio would still be worth an incredible $3 million — although that's still well off of $47 million.

Furthermore, if you managed to earn the same returns as Warren Buffett, 20% annually, but wanted to cash out at 50 instead of 65 and only let the money compound for 20 years, again, you would have just over $3 million in your portfolio.

Bottom line

If you want to maximize your returns and, ultimately, the value your portfolio can grow to, investing as early as possible is almost as important as ensuring you buy the highest-quality stocks for your portfolio.

Of course, buying high-quality stocks that you can own for years and that will consistently grow your money is most important. There are some stocks and even more wholly owned companies that Warren Buffett has owned for years and will likely never sell.

Retail investors should consider buying stocks with the same approach. The best stocks to buy are those that can consistently grow their operations in addition to the value of your investment for years. Once you find a handful of these high-quality stocks, all you have to do is commit to these for the long haul and have the patience to let them grow and compound your money.

After all, long-term investing is proven to be the best and most straightforward way to grow your capital. However, without any discipline or patience, it's difficult to execute the long-term investing strategy that Warren Buffett has made so famous.

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Date
2025/08/10
Date Created
2022/03/13
Author
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