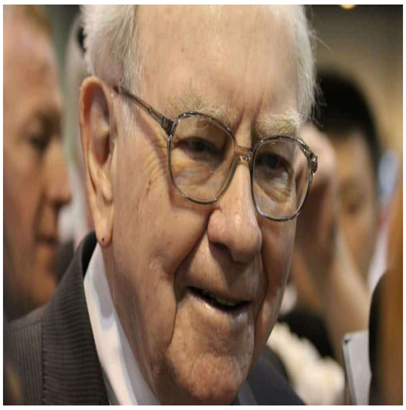

With No Savings, I'd Use Warren Buffett's 5 Tips to Build Wealth

Description

Wealth building requires time, patience, and a disciplined approach to investing. But it also requires capital — i.e., the financial seed which sprouts the tree of wealth. For individuals that wish to build wealth but don't have any savings to begin with, some Warren Buffett tips can be extremely helpful.

Tip #1

Warren Buffett is a great proponent of education and self-improvement and encourages people to invest in themselves before anything else. That's because, for most people, the path to wealth doesn't is not being a professional investor but being a successful professional that invests.

So, being good at your profession, learning how to climb the ladder upwards, and diversifying your skillset to produce secondary income streams can be critical to building wealth.

Tip #2

Living modestly is not just advice from Warren Buffett — his life is a practical example. He has a modest lifestyle (for a man of his wealth), which every person who aims to become affluent should try and mimic. Living within your means and focusing on good health, food, and education instead of an expensive version of these should be the way to go.

Tip #3

Pay off your debt as soon as possible. The interest you pay on your credit card debt is you basically spending money on your spending — i.e., an unnecessary magnification of your expenses. The more your expenses, the less you are likely to save.

Tip #4

It's important to be patient. When you start saving and investing, you must realize that you may not see good returns overnight. And since Warren Buffett recommends investing in good businesses and staying with them as long as they remain good businesses, patience is a virtue that has rewarded him quite well.

An example would be **Empire Company** (TSX:EMP.A), the conglomerate that owns Sobeys. If you had invested in the company in 2000, you would have grown your capital by over 540% in 15 years. And if you had sold the company at any time during the fall that stretched between 2015 and 2017, you would have diminished these returns.

However, the company recovered and eventually rose beyond its 2015 peak. The returns between 2000 and 2022 (At its peak) would have been around 800%. So, patience and investing in businesses you may stick with for decades are important for building wealth over time.

Tip #5

Investing in what you understand and know about is the smart approach. This prevents you from chasing trends that may lose you money and help you analyze your investments at a much deeper level (for their fundamental strengths). So, if the banking industry is something you know well, investing in a bank stock like **Royal Bank of Canada** (TSX:RY) might be a smart decision.

The largest bank in Canada and the largest publicly traded company in the country is an easy choice, even for investors not intimately familiar with the banking industry. But if you do, you might be able to identify its strengths from its global reach, how it handles debt, how leveraged it is, etc. You may also identify potential weaknesses that others might miss.

Foolish takeaway

Start saving and investing as early as possible. When you are holding good businesses long term, time can be your greatest ally in building your wealth. And smaller sums over a long period of time might yield better returns than a relatively larger sum held for just a few years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Investing

Date
2025/06/27
Date Created
2022/10/08
Author
adamothman