The Best Share Market Tips From Warren Buffett (6 mins read)

Description

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When we hear Usain Bolt we imagine sprint, when we hear Elon Musk we imagine entrepreneur and when it comes to Warren Buffett, it is all share market and investing tips. Being the most powerful investor of all time, Mr. Buffett is often referred to as the Man with Midas touch. Warren Buffett, also nicknamed the Oracle of Omaha, is today, the CEO of Berkshire Hathaway with a net worth of USD 87.7 Billion as of 7th Jan 2021 making him the 4th richest person alive on earth.

We see so many people taking many sidesteps while entering into stock market investing. However, they have never given their focus to the basic learnings of the biggest investors in the world. It is evident that Mr. Warren Buffett is very open about sharing his share market tips, journey, and strategies with people as he keeps addressing his success and insights in various interviews and meetings and his community follows him every comment on the market very closely.

Hence it should never be a question that whom we should consider our investing mentor when we have all tips and learnings available from the Investment king, Warren Buffet himself. When we were crying out for ice-creams at the age of 11, Mr. Buffett bought his first stock share and from that age, Warren Buffet started building his portfolio.

What are his secrets?

Definitely, he keeps a stronghold on his 2 magic rules –

Rule No. 1: Never lose money. Rule No. 2: Never forget rule No.1"

Let's take a deeper look at his top 10 investment tips capturing the essence of his approach to investing.

1. Invest in what you understand

In-School, we have always chosen the simple math problem over the more complex ones and Investment is the same. Never invest in a business you can't understand. It is always advisable to trust your experience in a handful of industries you worked in over the risk and uncertainties of complex business models.

Investing seems like a cakewalk at the start and it definitely is, but only after knowing it's nitty-gritty. This is one of the main mistakes, new investors do by investing in overly complex stocks. Mr. Buffet only invests in companies that he understands very well and is likely to be stable for the next 10-12 years. That is why he has avoided investing in technology.

2. Don't believe in News

Nobody wants to lose their hard-earned money by listening to a pundit on the news channel. Some investors do trust news for market fluctuations and falling prices, however, most of the time, these sound just like noises. With such huge unpredictability of the market, how can we sell our shares by hearing or reading random news?

A smart investor has to be very selective while choosing the right news content. Perhaps if you can understand the company's fundamentals, you can rely on your analysis of the news. The fundamentals of Coca-Cola and Johnson & Johnson are so strong that even after being 100 years old, they are still standing tall in the market.

3. Say no to Herd Mentality

Have you ever seen following herd mentality has brought somebody huge fortunes and success? Success always loves to roam around discipline and patience. For a new investor, it is very important to have his/her financial plan. Often new buyers get lost in this industry at their start and are influenced by the actions of their friends, relatives, or some acquaintance.

This herd mentality sounds similar to having peer pressure for choosing what others find relevant. Following others blindly, may turn out to be a huge negative return to newbie investors. However, these new buyers can't be blamed completely because initial investments are always based on watching out for what others are involved in. But, having the right knowledge and staying up-to-date with market news becomes of utmost importance here. So, prioritize your plan before prioritizing your portfolio.

4. Investing should be planned for long term

Buffett is a strong believer in patience. He always waits for the right time to buy and sell. And he always says, “It’s a long game”. Buffett still has a long list of companies he wants to invest in, but he waits for the right impact and opportunity for many years.

Only those investors are rewarded who invest with the buy and hold mentality. Never monitor the market closely and frequently, rather wait for a few 10-20 years and look for results. Stocks would be surely much higher than they are now. This is one of the biggest reasons for Warren Buffet’s successful portfolio and huge net worth.

5. Before investing in stocks, invest in yourself

Before jumping onto any stocks, first, ask yourself questions. Ask yourself that whether you understand how an investment works because without understanding, probably it isn’t your good investment strategy and may turn out to be your bad luck. Make yourself prudent to options of investing and ask what should you consider for investing, an individual stock, index funds, or commodities.

Taking expert opinions is always considered good, but without getting to learn about its basics and its relationship with the economy, you would not gain enough confidence to put your money into the second investment. This would make you dependent on opinions and would erode your decision-making abilities.

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6. Never over-diversify your portfolio

Diversifying stocks might help to reduce volatility and improves overall performance, but at the same time, if over-diversified, it may get prone to risks and easy losses. Every Investor should have a well-diversified portfolio with shares in different industries so that they do not get impacted by the same economic influences. Though, Mr. Buffet does not believe in Diversification as a good idea. As per him, an investor should keep faith and trust in his investments for the long term and keep focusing on individual investments.

7. Follow discipline in approach

Investors who have seen tremendous returns in the stock market have always followed discipline in their approach. They have systematically and consistently put their money in the right shares.

The stock market seems to be a money-making machine to many in their start, and they forget to focus on consistency and jump to such moves in panic which has caused huge money losses them. Hence one should always bend over backward to keep a disciplined approach and patience.

8. Emotions have no space for the stock market

Just like a doctor proceeding to the operation theatre, you should also keep your emotions aside when it's about investment. Many investors have been losing out on their hard-earned money because of their fear and greed. Never invest in any stock by just hearing stories of high returns of stock in a very short period. It could apparently become a big snake on your neck. If you let your emotions cloud your judgment, you will definitely lose out on a big chunk of your money.

Similarly, when investors hear about the downfall of the market, they start selling their shares even before the market crashes. Hence it is always advisable to stay away from this greed and fear cycle when you are an investor. This is one of those investment tips which is difficult to implement but as important as other investment tips. If Warren Buffet were emotional then his net worth wouldn't have been the same.

9. Be visionary while buying undervalued stocks

Warren Buffet always quotes "Be Fearful When Others Are Greedy and Greedy When Others Are Fearful". Fear and greed have always been 2 triggers for an investor. Mr. Buffet has the best advice for new investors about being visionary. Never fear when a stock is priced low, rather sharpen your eye to razor's edge towards any Market Crash. Market crashes always bring fortunes in the long term. The global recession of 2008-2009 brought huge imbalances in the trading and financial health of the world, but many investors used this as an opportunity and purchased low-valued stocks and now are enjoying its fruits.

If you see another very recent example of the recession caused due to the Covid-19 pandemic, the Pharmaceutical industry has gone up very high compared to where it was before the pandemic. Right Fundamentals, proper analysis of a company, and an open mindset can turn a market crash into a fortune.

10. Avoid borrowing money

We have always been wired to borrow money, home loans, car loans, and personal loans which are neither good nor bad. But leveraging on borrowed money for investments can only help you when you have gained enough experience and confidence in the stock market. However, it is not good to borrow money for investing, if you are a newbie investor.

This tip from Warren Buffett is not exactly one of his share market tips as it is applicable in general life as well. Leveraging definitely amplifies returns as you would be able to purchase more stocks from a broker than you could afford and can trade in good volumes but if you choose the wrong stock, you can even amplify your losses. Leveraging demands huge knowledge and experience, so first leverage on your skills and knowledge and later on, leverage on the broker's money.

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CONCLUSION :

Investing is a great method to start building your asset and experience the magic of compounding. To make it good, all you need is to invest time and patience in understanding the stock market carefully and being consistent. It's a patience game, walk before you start running.

Feel free to share your thoughts and learnings from the article on "Warren Buffett share market tips" in the comment section below.

Category

1. Passive Income

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