Warren Buffett Wisdom

May 08 2023

Investment icon Warren Buffett says there's wisdom in being "fearful when others are greedy and greedy when others are fearful." [1] He first gave this advice in 1986 and has re-iterated it over the past few decades during times of financial uncertainty: 9/11 in 2001, the 2008 mortgage crisis, the 2011 Black Monday crash and the 2020 global pandemic.

Relying on wisdom and courage - instead of fear - during unpredictable global events is what Buffett means by his ‘fear and greed.' comment. When others flee during a financial crisis, Buffett's advice is to be clear-eyed and look for opportunities that present long-term financial gains. Conversely, when many investors are flocking to "popular" investments, it often causes prices to boil over, ultimately limiting the potential for future returns. So, to paraphrase Buffett, wise investors are bold when others are worried and cautious when others appear overly confident.

Behavioral finance psychologists[2] validate Buffett's instincts. We're all influenced by emotion, and biases tend to be magnified during crises. Unless we're very deliberate, emotions can negatively influence important financial decisions. Recognizing that fear of financial loss is instinctive, intense, immediate, and difficult to overcome, Buffett suggests confidence and calm in these tense moments are the best antidotes. With billions of dollars in flux during any type of market volatility, Buffett stays curious, self-assured, and positioned for action. This might explain why his net worth is almost $109B[3].

Some might argue that making bold moves is easy for extremely wealthy people. From the perspective of the average investor that's a fair point, but even Warren Buffett had to start somewhere.

As you're thinking about your own financial security, here are five key tips Buffett follows:

1. **Healthy Money Habits**

   Most behaviour is habitual, so practice building positive money habits until they become second nature.

2. **Avoid Credit Card Debt**

   Financial growth requires that interest works for - *not against* - you. Don't accumulate credit card debt.

3. **Be a Learner**

   The more you understand personal finance, the more confidence you'll have about making key financial decisions.

4. **Be Patient**

   Building sustainable wealth and financial security takes time. Stay the course.

5. **The Golden Rule(s)**

   Rule No. 1: Don't invest in "get rich quick schemes" . Rule No. 2: Don't forget rule No. 1.

You don't need to be an investing "guru" like Warren Buffett to achieve financial success, but by adopting his maxim of "seeing fear as an opportunity" and acting with courage, you too can capitalize on key opportunities to build wealth. However, none of this advice should be followed without first assessing your risk tolerance profile, which includes factors like age, income, goals and timeline. Every individual's situation is unique, and a wise financial strategy is best determined with the guidance of a financial advisor. That's what we're here for.

If you'd like to improve your path to financial well-being, we're just an email or phone call away.**Connect with us today** [1] to get started.

[1] Berkshire Hathaway Inc. [2] [2] Investopedia [3] [3] Finmasters [4]

Copyright © 2023 AdvisorNet Communications Inc. All rights reserved. This article is provided for informational purposes only and is based on the perspectives and opinions of the owners and writers only. The information provided is not intended to provide specific financial advice. It is strongly recommended that the reader seek qualified professional advice before making any financial decisions based on anything discussed in this article. This article is not to be copied or republished in any format for any reason without the written permission of the AdvisorNet Communications. The publisher does not guarantee the accuracy of the information and is not liable in any way for any error or omission.

Tags: investment planning [5]

Source URL:https://jlaffinfinancial.ca/e-newsletter/2023/2023-05/article-1.htm

Links
[1] https://jlaffinfinancial.ca/contact-us [2] https://www.berkshirehathaway.com/letters/1986.html [3] https://www.investopedia.com/terms/b/behavioralfinance.asp [4] https://finmasters.com/warren-buffett-net-worth/#gref [5] https://jlaffinfinancial.ca/taxonomy/term/9