



WARREN BUFFET'S

7 BEST PIECE OF INVESTING ADVICE

1 THE WORST INVESTMENT YOU CAN MAKE OVER TIME: CASH

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We always keep enough cash around so I feel very comfortable and don't worry about sleeping at night. But it's not because I like cash as an investment. Cash is a bad investment over time. But you always want to have enough so that nobody else can determine your future essentially.



2 INVEST IN A BROAD-BASED INDEX FUND THAT TRACKS THE S&P 500

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"If you are a professional and have confidence, then I would advocate lots of concentration. For everyone else, if it's not your game, participate in total diversification. The economy will do fine over time. Make sure you don't buy at the wrong price or the wrong time. That's what most people should do, buy a cheap index fund, and slowly dollar cost average into it. If you try to be just a little bit smart, spending an hour a week investing, you're liable to be really dumb.



3 INVEST IN YOURSELF.

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The best investment you can make is in your own abilities. Anything you can do to develop your own abilities or business is likely to be more productive.



4 IF YOU'RE DETERMINED TO PICK STOCKS, DON'T BUY INTO A BUSINESS YOU DON'T UNDERSTAND.

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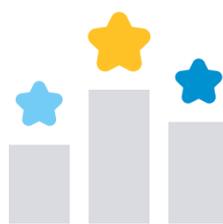
"[Individual investors] ought to think about what he or she understands. Let's just say they were going to put their whole family's net worth in a single business. Would that be a business they would consider? Or would they say, "Gee, I don't know enough about that business to go into it?" If so, they should go on to something else.... There are all kinds of businesses that [longtime partner and vice chairman of Berkshire Hathaway Charlie Munger] and I don't understand, but that doesn't cause us to stay up at night. It just means we go on to the next one, and that's what the individual investor should do.



5 FOCUS ON THE COMPETITION AS WELL.

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[Buying stock in a company is] buying a piece of a business. If they were going to buy into a local service station or convenience store, what would they think about? They would think about the competition, the competitive position both of the industry and the specific location, the person they have running it and all that."



6 INVEST FOR THE LONG HAUL.

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If you aren't willing to own a stock for 10 years, don't even think about owning it for ten minutes



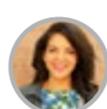
7 THE HARDEST PART ABOUT INVESTING: TRUSTING YOURSELF.

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You need to divorce your mind from the crowd. The herd mentality causes all these IQ's to become paralyzed. I don't think investors are now acting more intelligently, despite the intelligence. Smart doesn't always equal rational. To be a successful investor you must divorce yourself from the fears and greed of the people around you, although it is almost impossible.



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