

WARREN BUFFETT INVESTS LIKE A GIRL: AND WHY YOU SHOULD TOO

8 Essential Principles Every Investor Needs to Create a Profitable Portfolio

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LOUANN LOFTON has been investing with The Motley Fool since January 2000. She started as a writer and has in recent years served as managing editor for online content. The Motley Fool, a financial education company, was started by Tom and David Gardner in 1993. The Gardners have coauthored five books and a nationally syndicated newspaper column which is carried by more than two hundred papers and fourteen premium investing services.

The Web site for this book is at www.fool.com/girl

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MAIN IDEA

Researchers in behavioral sciences have come up with eight generic traits of female investors:

- | | |
|---------------------------|---|
| Female investors tend to: | ▶ 1 Trade less to make more |
| | ▶ 2 Watch out for overconfidence |
| | ▶ 3 Shun risk |
| | ▶ 4 Be less optimistic and more realistic |
| | ▶ 5 Do more research before investing |
| | ▶ 6 Be less susceptible to peer pressure |
| | ▶ 7 Learn from their mistakes |
| | ▶ 8 Take less extreme investment risks |

What’s interesting about that list is that pretty much sums up the investment philosophy Warren Buffett has followed all his investment career. In fact to come up with a snapshot of Warren Buffett’s investment style, all you’ve got to add to that list of eight female investor traits are three Buffett-specific principles:

- | | |
|-------------------------|---|
| Warren Buffett add-ons: | ▶ 9 Value and cultivate relationships |
| | ▶ 10 Learn from the masters, but question |
| | ▶ 11 Be fair and act ethically at all times |

To become a superior investor, do what Warren Buffett has done all his career. Have an investing mindset which draws heavily on the traits of female investors and then add tweaks of your own. Work on your temperament first and everything else will fall naturally into place. When it comes to investing, being in touch with your feminine side is not a bad thing – it can actually be highly profitable.

“If you want to sustainably make more money in the market – using common stocks or mutual funds – you’ll have to learn how to master your temperament. Warren Buffett parlayed the small investments of a teenager into the largest and greatest investment portfolio in human history but up until now, the master’s students have looked for his virtuosity mostly in the wrong places. They’ve dreamed in complex variables while trying to unearth Buffett’s valuation models. They’ve spent decades overlooking what matters most. If you want to know how to make millions investing in stocks, just do the exact opposite of what’s on offer in the high octane world of Wall Street, where men will be men, right up until they ask taxpayers to bail them out. It’s simple really: Warren Buffett invests like a girl.”

– Tom Gardner, cofounder, Motley Fool

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