



# Unique Nuggets from Warren Buffett's 2020 Letter

## *The Oracle of Omaha sharing his wisdom from the heart of America*

Berkshire Hathaway has been an overwhelmingly successful company and its CEO, Warren Buffett, is arguably one of the greatest investors of all time.

In the more than five decades that Warren Buffett has controlled the company (since 1965), Berkshire has grown at an average rate of 20.3% annually. During this same time, the S&P 500 has averaged 10.0% each year. The 89-year old Buffett doesn't just beat the market – he smashes it.

So, what are some of Buffett's strategies for growing this wildly successful company? Surprisingly simple.

Let's examine his most recent annual letter to the shareholders of Berkshire Hathaway Inc. dated February 22, 2020 and grab a few of Buffett's nuggets:

### **Investors are Guaranteed to Make Mistakes**

"Over the years Berkshire has acquired many dozens of companies, all of which I initially regarded as 'good businesses.' Some, however, proved disappointing; more than a few were outright disasters. A reasonable number, on the other hand, have exceeded my hopes."

### **Diversification is a Great Idea**

What do American Express, Apple, Coca-Cola, and Delta Airlines all have in common? They're owned by Berkshire. And let's not forget the Burlington Northern

Santa Fe Railroad, Clayton Homes, International Metalworking, Lubrizol, NetJets and Precision Castparts.

### **Why Guess at Interest Rates?**

"Forecasting interest rates has never been our game, and Charlie and I have *no* idea what rates will average over the next year, or ten or thirty years. Our perhaps jaundiced view is that the pundits who opine on these subjects reveal, by that very behavior, far more about themselves than they reveal about the future."

### **What is Your Succession Plan?**

"Three decades ago, my Midwestern friend, Joe Rosenfield, then in his 80s, received an irritating letter from his local newspaper. In blunt words, the paper asked for biographical data it planned to use in Joe's obituary. Joe didn't respond. So? A month later, he got a second letter from the paper, this one labeled "URGENT."

Charlie and I long ago entered the urgent zone. That's not exactly great news for us. But Berkshire shareholders need not worry: Your company is 100% prepared for our departure."

### **Be Careful When Asking for Advice**

"A venerable caution will forever be true when advice from Wall Street is contemplated: Don't ask the barber whether you need a haircut."

## Who Manages Your Money?

“Nevertheless, many of these good souls are people whom I would never have chosen to handle money or business matters. It simply was not their game.

They, in turn, would never have asked me for help in removing a tooth, decorating their home or improving their golf swing. Moreover, if I were ever scheduled to appear on *Dancing With the Stars*, I would immediately seek refuge in the Witness Protection Program. We are all duds at one thing or another. For most of us, the list is long. The important point to recognize is that if you are Bobby Fischer, you must play *only* chess for money.”

## On Paying Taxes

“In 2019, Berkshire sent \$3.6 billion to the U.S. Treasury to pay its current income tax. The U.S. government collected \$243 billion from corporate income tax payments during the same period. From these statistics, you can take pride that your company delivered 11/2% of the federal income taxes paid by *all* of corporate America.

In most future years, we both hope and expect to send *far* larger sums to the Treasury.”

## Final Thought

Buffett will preside over Berkshire’s annual meeting on May 2, 2020 and it will be streamed worldwide by Yahoo.

Consider visiting <https://finance.yahoo.com/brklivestream> and watching.

And consider incorporating some of Buffett’s nuggets into your investing philosophy.