

Warren Buffet - The Modest Billionaire

By Russell Smith

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Warren Buffett could perhaps be the most prolific investor of all time. Known as the "Oracle of Omaha", he possesses more money than 99.999998878% of the world's population. According to the Forbes List of Billionaires, Warren Buffett ranks third in the world with an estimated net worth of \$52 billion. Despite his fortune, he lives quite modestly on his salary of \$100,000 per year. Some people even go so far as to categorize him as a tightwad. His modesty and frugality might have much to do with his upbringing and the era during which he grew up. Warren Buffett put in many, many years of hard work to make it to where he is today.



Mr. Buffett was born in Omaha, Nebraska during the Great Depression on August 30, 1930, to then Nebraska Congressman and stock broker Howard Buffett. Buffett exhibited an affinity for business and entrepreneurship at an early age. When he was six he would buy a six-pack of Coke and then sell it at 5 cents a bottle for a 5 cent total profit. Buffett bought his first share of stock at the age of 11. He bought one share of Cities Services for \$38.25 and sold it at \$40, only to see Cities

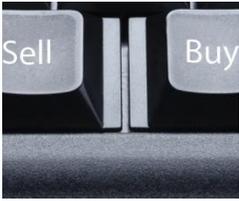
Services rocket up to \$200 per share a few years later. This lesson in long term investing proved to be very valuable for Mr. Buffett, as he only thinks and invests for the long term today.

Young Warren Buffett continued to be a very successful entrepreneur all throughout his high school years. In 1944 Buffett started Wilson Coin Op, a pinball machine company. With his \$1200 share from Wilson he bought a plot of farmland and rented it to tenant farmers. By the time Buffett graduated from high school at the age of 16 he had a residual income of \$5000. Impressed with his own success as an entrepreneur, Buffett decided college would be a waste of his time. His father's persuasions prevailed however, and Buffett went off to college.

He attended Wharton School at the University of Pennsylvania for three years and then transferred back home to the University of Nebraska where he took quite an interest in investments after reading Benjamin Graham's book "*The Intelligent Investor*." Buffett studied under Graham at Columbia University, and eventually began to work at Graham's investment firm. Upon Graham's retirement Buffett started his own investment partnership with \$100 of his own and \$105,000 from 7 other partners. Buffett's main goal was to beat the Dow's 10% average return. After operating Buffett Partners Ltd. directly out of his bedroom for a year, and adhering closely to Graham's investment theories, Buffett beat the Dow average and earned a 30% return.



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In 1962 Buffett Partners started to purchase shares in a textile company named Berkshire Hathaway. Buffett now owns a 38% stake in Berkshire Hathaway, and is the CEO and Chairman of what is now his investment empire. Berkshire now owns many different types of companies from apparel (Fruit of the Loom), to insurance (GEICO), to vacuums (Kirby – part of the Scott Fetzer companies). Buffett's company consistently performs above the Dow average every year.

Looking in hindsight, if one would have invested just \$10,000 in Berkshire Hathaway when Buffett took control they would be worth around \$52 million today.

Regardless of the fortune that Buffett has amassed, he stays true to his roots as a smart spender. He lives in the same house he bought for \$31,500 back in 1958. He eats red meat every day, and is rarely seen without a Coke. The only luxury that he has splurged on is his Gulfstream IV private jet. Buffett has only recently been noted as a philanthropist pledging to give away 85% of his fortune, 83% of which will go to the Bill and Melinda Gates Foundation.

I chose Warren Buffett as my business hero because of the different attitudes and viewpoints he brings to all aspects of business. Buffett only chose to invest in companies that have solid economics. He is best known as a value investor, investing in companies that were "cheap" compared to their market value. Buffett judges companies based upon their "economic moat", or their ability to possess sustainable competitive advantages over their competitors.



In my mind Warren Buffett is the best investor that ever lived. He shows that patience is an important factor of successful investing. In a world where people hold on to investments for even just a few minutes, Buffett challenges the system and holds on. Warren Buffett is a highly credible example of someone who does his homework. Before making a new investment he will pour over the annual reports and the paperwork to make sure that he is getting what he wants.

In the business arena Buffett has always made it a priority to keep his dealings ethical. In today's society, doing so is quite a feat. As many as ten top CEOs have been indicted or investigated for unethical behavior. While other CEOs are searching for ways to avoid taxes, Buffett contends that people in the upper echelon of the earnings spectrum should pay more taxes. I appreciate Buffett's blatant honesty and "no fear" approach to say anything, regardless of the opinions that others may hold.

Warren Buffett's impact on the way business is conducted will last for many years. When Buffett speaks everyone listens (including the government). There is always a tremendous amount of quality and truth to whatever Buffett says. More often than not, his investments are indicative of where the national economy is, and where it is heading. Investors of today look up to him and take every piece of his advice. The investors of tomorrow will no doubt look back upon his legacy, and make every effort to emulate his success.

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Warren Buffett's story is a remarkable one. He has certainly worked hard during the whole of his life. As Buffett continues to age, one thing will remain true for many years after his death. The habits, ideals, and disciplines that one develops, no matter how absurd that they may seem at the time, will often determine how successful their life is. While Buffett may pass on, his theories, strategies, and investments will continue to stand the test of time for many decades to come.



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