

Berkshire Hathaway in 2021

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ABSTRACT

Together, Warren Buffett (CEO & Chairman of the Board) and Charlie Munger (Vice Chairman) built Berkshire Hathaway into one of the most famous and respectable companies in the world with over 390,000 employees. The company had investments in an equity portfolio valued at over \$293 billion and owned 65 different businesses. As of 2021, Berkshire had around \$145 billion in cash and short-term investments. Its Class A shares had the highest stock price of any company ever at \$418,500. Its Class B shares traded around \$278. Buffett, the founder, maintained 30.71% of the voting power in the company. Buffett had a personal net worth of over \$100 billion and Munger had a net worth of over \$2 billion. Buffett was 91 years old, and Charlie Munger was 97. Three major issues were facing Buffett and Munger in 2021. First, who was going to take over for them when they passed? Secondly, what were they going to do with \$145 billion in cash that Berkshire Hathaway had on hand? Finally, what should they do with their fortunes?

Keywords: Succession, Investments, Philanthropy, Berkshire Hathaway, Charlie Munger, Warren Buffett

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INTRODUCTION

Warren Buffett and Charlie Munger grew up in the modest and conservative city of Omaha, Nebraska. Their Omaha roots spanned several generations. As teens, they both worked at Buffett's grandfather's grocery store, Buffett & Son, in downtown Omaha. Despite having shared similar childhood experiences in the same city, the paths of these two financial luminaries did not intersect until 1959 at a private party in Omaha. They had already lived throughout the United States and had successful ventures.

Upon meeting, they recognized that they both shared a keen interest in reading, which provided a broad perspective about the world. This foundation helped shape their cerebral and deliberate approach to investing. Their initial meeting led to an instant friendship and eventually Munger joined Buffett in the growth of Berkshire Hathaway.

In their sixty years of working together, Buffett and Munger said they never had an argument, even though Charlie assumed the role of questioning Buffett's investing ideas. This caused them to work out the details and arrive at a position where the investment made sense for both men. In fact, this "devil's advocacy approach" was a characteristic of many successful investment firms. One of its primary benefits was that it helped to uncover behavioral biases that might seep into the investment decisions.

WARREN BUFFETT

The life of Warren E. Buffett, the CEO and Chairman of Berkshire Hathaway, has mesmerized people all over the world for decades. Part of his mystique is how someone so rich and intelligent can be so humble, gentle, and generous. By the time Buffett passes, he will have given more than \$100 billion to charities. Like most people, the shaping of Warren Buffett, his values, his demeanor, and his attitude can be found in his upbringing, his early childhood experiences, and the pivotal decisions he made throughout the early years of his life.

Buffett is the J.P. Morgan of our generation showing great strength and courage throughout times of crisis. When the world stopped and was in shock during the Great Recession of 2008, Buffett spoke with calmness, rationality, and integrity. Prior to that, Buffett was the voice of reason during other major calamities such as the 1987 stock market crash, the Gulf wars, the tech bubble of 2000, and 9/11.

One of the most interesting aspects of Buffett's life was his ability to become self-employed, even as a young boy. He had dreamed of being an entrepreneur since he was 12 years old. The early entrepreneurial endeavors throughout his life led him to become a millionaire in today's dollars by age 25.

Buffett's Early Years

Buffett's family includes entrepreneurs. His family's roots dated back seven generations to the 1600's in the United States. His earliest relatives moved from France and settled in Long Island, New York, as farmers.

In 1867, Buffett's great grandfather, Sidney Homan Buffett, sought more in life than the hard work and meager wages of being a farmer. So, he moved west to Omaha, Nebraska. Three months earlier Abraham Lincoln had designated Omaha as the Eastern

base for the Union Pacific Railroad. There, Sidney was hired to become a stagecoach driver for his maternal grandfather, George Homan (Schroeder, 2009, p. 20).

After some time, Sidney Buffett became an entrepreneur by founding his own grocery store in downtown Omaha at age 21. The Buffett “way with words” went all the way back to Buffett’s great grandfather, Zebulon, who wrote several letters to Sydney, containing the following advice.

“Try to be punctual in all your dealings. You will find it difficult to get along with some men, deal as little as possible with such.... Save your credit, for it is better than money.... If you go on in business, be content with moderate gains. Do not be too hasty to get rich.... I want you to live to be fit to live and fit to die (Schroeder, 2009, p. 20).”

Buffett’s Parents: Howard & Leila Buffett

Howard Homan Buffett, Ernest, and Henrietta’s third son was born in 1903 in Omaha and died at age 60. Howard felt like an outsider growing up in Omaha because it was run by a few prominent families. He attended public schools where he wore hand me down clothes. Howard was a hard-working and ethical man. He went on to graduate from the University of Nebraska-Lincoln. Howard would later go on to be a four-term Republican United States Congressman from the state of Nebraska.

Leila Stahl Buffett was born in Cuming County, Nebraska. Her father and mother were John and Stella Stahl. They had three children: Edith (1902), Leila (1904), and Bernice (1906). Leila’s family background was strife with mental illness. Her grandmother died in an insane asylum and her mother had serious depression. This required Leila to grow up at a very young age to help her father, who owned a newspaper. Leila, who was extremely bright, worked for a few years before going off to college at the University of Nebraska-Lincoln.

Howard and Leila met at the *Daily Nebraskan*, the newspaper at the University of Nebraska-Lincoln. Howard was the editor and he hired Leila. Howard earned a degree in journalism in 1925 and they eventually married that same year before Leila earned a degree.

They subsequently moved to Omaha and had three children: Doris (1928), Buffett (1930), and Roberta (Bertie, 1934). Howard initially sold insurance. Then in 1927, two years before the Great Depression, he decided to become a stockbroker for Union State Bank.

Buffett & Great Depression

One of the biggest influences on Buffett’s life was the Great Depression. On September 3, 1929, the Dow Jones Industrial Average peaked at 381.17. The market fell to 220.39 by November 11, 1929, or a total drop of 42% from its highs. The market then proceeded to increase in value to 294.07 by April 17, 1930, an increase of 33.4%. The market finally bottomed at 41.22 on July 8, 1932, for a total final loss of 89% from its highs.

Buffett was born 10 months after the Great Depression began, on August 30, 1930.

In 1931, when he was 26, Howard was laid off from his job as a stockbroker. That was only two days after Buffett's first birthday. Howard also lost all his family's savings, which was in the bank during a period when there were over 4,000 bank failures.

Howard asked Ernest whether he could work at the store, but Ernest did not have the money to bring him on. Instead, Ernest supplied his son and his young family with food on credit.

Out of necessity, Howard opened his own stock brokerage firm with George Sklenicka, which was called Buffett, Sklenicka & Company. Their strategy was to sell safe securities like municipal bonds and utility stocks. Their business thrived, and they began making money.

It was not uncommon for entrepreneurs to seek self-employment when they were laid off from their jobs. Furthermore, this entrepreneurial behavior rubbed off on Buffett.

During these stressful years, Leila began to yell and inflict emotional pain upon the children. She verbally abused them to the point of tears. It could be that the stress of raising three children during the Great Depression triggered something in her or she had some existing condition. Her husband's heart problems also took a great toll on her. The children said they could tell what type of day it was going to be by the tone of their mother's voice in the morning (Buffett, 2017).

Despite this, Leila was a great influence on Buffett. She was incredibly intelligent, and they both could add numbers in their heads quicker than an adding machine.

Enduring both the wrath of his mother and the Great Depression during his formative years impacted Buffett greatly. The scars have remained with him for life. However, for many entrepreneurs these early experiences have motivated their desire for independence and form their values as an adult. In Buffett's case, he decided at a very young age that he was never going to be subject to poverty. Buffett told his sister that he was going to be a millionaire by age 30.

Later in life, Buffett had this to say about his parents:

"When I was a kid, I got all kinds of good things. I had the advantage of a home where people talked about interesting things, and I had intelligent parents and I went to decent schools. I do not think I could have been raised with a better pair of parents. That was enormously important. I did not get money from my parents, and I really did not want it. But I was born at the right time and place. I won the Ovarian Lottery (Shroeder, 2009, p. 42)."

Buffett's statement about winning the lottery was a function of the odds of being born in the United States, which was 40 to 1. Buffett has often noted that simply being born in the United States, is itself a huge advantage because there is no other country on earth as bountiful with opportunity. He often refers to the United States as having "a secret sauce (Mann, 2014)."

Buffett & School

Buffett had multiple entrepreneurial ventures while growing up in Omaha. He made the equivalent of \$60,000 by the time he graduate from high school in Washington D.C. He moved there because his father became a congressman for the state of Nebraska.

Buffett did not want to go to college. He thought he could get just as good of an education by reading something on his own rather than going to school. Additionally, Buffett valued business experience more than reading books.

Because of pressure from his father, Buffett attended the Wharton School of Business at the University of Pennsylvania for two years (1947 to 1949). During Buffett's stay at the University of Pennsylvania, one of his roommates was jealous of Buffett because he would study 15 minutes before the exam and ace it.

Buffett complained to his father that he was bored and knew more than the professors. He also thought the material was way too theoretical while he was more interested in the practical ways to make money. Some of his fellow students even said he would correct some of the professors in class. After two years, he transferred to the University of Nebraska-Lincoln.

At Nebraska, he took enough classes to graduate in one year. Concurrently, he was the circulation manager for *The Lincoln Journal*, where he managed more than 50 people and their newspaper routes. Buffett graduated with a Bachelor of Science degree in Business Administration from the University of Nebraska-Lincoln in 1950. He was 19. Buffett said the following about his education:

"In my experience there is very little difference, if any, between a high-priced business education versus others. My education at the University of Nebraska-Lincoln was just as good as the University of Pennsylvania (Mann, 2014)." After this he earned an MBA at Columbia University where he studied under Benjamin Graham, a very famous Wall Street veteran who owned Graham-Newman Corporation. Graham stated that Buffett was the only student he ever gave an A+ to.

After school Buffett applied to work for Graham but he was rejected. As result, he went back to Omaha where he worked for his father's investment brokerage.

Buffett & Wall Street

Over the next five years, Buffett stayed in touch with Graham and would send him investment ideas. After persisting for those years, Graham eventually hired Buffett. Buffett stayed on for two years and eventually became a millionaire in today's dollars. After two years, Graham retired and offered Buffett the opportunity to co-lead the brokerage, but Buffett denied the offer and moved back to Omaha. He planned to retire at the age of 25 and live off of his dividends, capital gains and interest.

Buffett & Partnerships

After a few months of resting at a rented house, Buffett's family and a few close friends convinced him to manage their money. From 1956 to 1969 Buffett created seven different partnerships. The limited partners received 6% annually on their investments and 75% of the profits above this bogey, while Buffett earned the other 25%. From 1957 to 1961, the partnership gained 251% versus the Dow's 75% (Kilpatrick, 2008, p. 62).

At the end of its 13-year life, the partnership was worth \$100 million. The partnership generated an average annual return of 30% versus 7.4% for the Dow Jones Industrial Average (. Buffett's share of the partnership had grown to \$25 million (Miles, 2004, p. 27).

Buffett & Berkshire Hathaway

In 1962, began buying shares in Berkshire Hathaway, a textile manufacturer located in New Bedford, Massachusetts. By 1964, Buffett bought 7% of the company. That same year, Berkshire Hathaway's management team made an offer for Buffett's stake at \$11.50 a share. Buffett agreed to the price; however, two weeks later, he received the paperwork for \$11.375 a share, one-eighth less than the agreed upon number. This infuriated Buffett so much that he ended up buying the whole company. By the end of 1965, Buffett controlled Berkshire Hathaway, Inc., which had a stock price of \$18 per share (Kennon, 2019). In 1966, Buffett became chairman of the company, spending 25% of his partnership's total capital on the acquisition of Berkshire. He would later admit that was probably the biggest investment mistake he ever made and that it cost him billions in today's dollars.

CHARLIE MUNGER

Charles T. Munger was born in Omaha, Nebraska on New Year's Day 1924. Munger's life started out during thriving times thanks to his well-respected family. His upbringing allowed him to grow within a context of both relative wealth and crushing poverty. This influenced his hunger for the education that eventually led to his elite position in the world of investments. His father, Alfred Case Munger, was a Harvard educated lawyer who provided a comfortable life for a family that included Munger's mother Florence "Toody" Munger (née Russell) and sisters Mary and Carol. Munger observed:

"My memory is of being surrounded by a lot of very fine people, and I think the whole thing was privilege. I look at my background as absolutely privileged. I am proud of being an Omaha boy (University of Michigan, 2017)."

His father, Alfred Case Munger, went to Harvard law school and provided a nice life for the family. Munger's grandfather was Thomas, whose parents were both schoolteachers. Munger emphasized his grandfather's resilience in various speeches and interviews. Munger's grandfather rose from nothing in a small town in Nebraska. They would give the young Thomas a nickel to buy meat. Munger recalled:

"He would go to the butcher shop, and he would buy the parts of the animal nobody else would eat. And that is what two schoolteachers lived on in those days. And the very indignity of it bothered him so much that he was just determined to get out of poverty and never go back. And he did, he got ahead like Abe Lincoln — educated himself in lawyers' offices and so on. He had to leave college because he could not pay the tuition anymore. But he educated himself, and since he was utterly brilliant, it was not all that hard (University of Michigan, 2017)."

Munger's grandfather became the honorable Thomas Charles Munger, who practiced law in Nebraska for almost sixty years and influenced the career path for both son and grandson. He rose to be the senior judge at the U.S. District Court for the District of Nebraska, having been nominated by President Theodore Roosevelt in 1907. He served in this role until his death in 1941 (Lowe, 2000).

Munger inherited his grandfather's philosophy, something he continued to remember with pride:

“He had an attitude that was pretty damned extreme. I would say his attitude was that you have a moral duty to make yourself as un-ignorant and as un-stupid as you possibly can, and that it was pretty much your highest moral duty — maybe taking care of your family came first. ... He was conventionally religious, so it may have been a religious duty to him. But he really believed that rationality was a moral duty, and he worked at it, and he scorned people who did not do it (University of Michigan, 2017).”

Munger & Great Depression

Despite the Great Depression, Alfred Munger continued to practice law and provide for the wellbeing of young Charlie and the rest of the family. “Toody” Munger, Munger’s mother, encouraged her children to read. Munger focused on reading the biographies of famous people. He became an excellent student who was too bright for his own good, sometimes getting into trouble at school.

Munger wanted to attend Stanford University, however, wanted him to stay in the Midwest to save money. As a result, he studied at the University of Michigan. After two years he left to enter World War II.

During his military service, Munger did not enjoy taking orders and working on menial tasks. He preferred to use his mind. Munger was headstrong and outspoken. His independence was extremely important to him. Munger was too smart for his own good, sometimes knowing more than his superiors. His entrepreneurial side was emerging.

“My senior officers could tell I thought they were wrong. And I tried to hide it. And they could still tell. I never got in any serious trouble, but they — who in the hell likes a junior officer? You look over there and he is plainly indicating that he thinks you’re an idiot? ... Well, it worked out all right. I did my work well enough, so they didn’t bother me. But it was not a milieu where I was going to succeed (University of Michigan, 2017).”

Harvard Law

Munger did not earn an undergraduate degree. However, he used his G.I. Bill benefits to attend Harvard Law School. Harvard was hesitant to admit Munger due to a lack of an undergraduate degree, but a Munger family friend, who was a former Dean there assisted in Munger’s entrance. Munger graduated magna cum laude from Harvard School of Law in 1948 when he was 24.

Work Years

Munger moved to California, passed the state bar exam, and started his career at the law firm Wright & Garrett in Southern California. He estimated he earned \$350,000 during the first thirteen years as an attorney. Munger’s entrepreneurial instincts came to fruition in the 1950s when he started to look for other ventures. The field of law was becoming increasingly boring for him.

BERKSHIRE HATHAWAY

Buffett and Munger grew Berkshire Hathaway to around 360,00 employees. In 2020, the company had sales of \$245.5 billion, a net profit of \$42.5 billion, and total assets of \$873.7 billion.

In 2021, Berkshire had investments in an equity portfolio valued around \$293 billion and owned 62 different businesses. The company had around \$145 billion in cash and short-term investments. Buffett has maintained 30.71% of the voting power in the company.

Table 1 shows that from 1964 to 2020, Berkshire's market value per share has grown to 2,810,526%, compared to a 23,454% gain for the S&P 500 stock index.

Buffett oversaw the multinational Berkshire Hathaway based in Omaha, Nebraska, with a corporate staff of a mere 26 people. Berkshire's office occupied an entire floor in the Peter Kiewit building about five minutes from his house. "Its drop ceilings, narrow hallways and tired carpets would suit the administration of a community college better than a financial empire.

His management philosophy has always been to hire the best and give them the freedom to excel. Buffett understands that top talent does not want to be micromanaged. He also understands the basic tenets of entrepreneurs: freedom—the primary motivator for entrepreneurs—fuels their creativity and innovation.

SUCCESSION ISSUES

Due to their ages, shareholders have been paranoid about who will take over for Buffett and Munger.

Buffett stated that at the 2020 annual shareholder meeting, Ajit Jain and Greg Abel, will also be answering questions. Because of the pandemic, Buffett cancelled the in-person meeting and only streamed it on Yahoo! Greg Abel was there with him and answered questions.

For years, Buffett spoke about how tremendous Jain was for the company. It was thought for a long time that he would take over for Buffett as Berkshire's Chief Executive Officer. However, Jain is now 68 years old. Lately, there is talk that Abel will succeed Buffett due to Jain's age. The shareholders are still not sure who will be taking over the leadership of Berkshire Hathaway. Below are the backgrounds of the two candidates.

Greg Abel

Greg Abel, 58, was born and educated in Canada. He is currently the Vice Chairman of Non-Insurance Businesses for Berkshire Hathaway. Abel grew up in a working-class neighborhood in Edmonton, Alberta, Canada.

Like Buffett, Abel was taught to be responsible, entrepreneurial, and independent from an early age. He went door-to-door distributing advertisement flyers, and even collected and turned in trash bottles for cash. He became a laborer early in life. Through high school and college, he worked in a facility manufacturing fire extinguishers, which even afforded him a scholarship to the University of Alberta (Horatio Alger Association, 2018).

Abel earned an undergraduate degree in accounting from the University of Alberta. After becoming a certified public accountant, he worked for PricewaterhouseCoopers in San Francisco. In 1992 he entered the energy industry by joining CalEnergy. From 1992 to 2008, Abel served the company as a senior executive. In 1999, the company became MidAmerican Energy Holdings Company, and Berkshire bought a controlling interest later that year. In 2008, Abel became CEO, and, in 2011, chairman was added to his title.

In 2014, MidAmerican became Berkshire Hathaway Energy. The company has assets of more than \$90 billion and owns subsidiaries principally engaged in energy businesses in the United States, United Kingdom, Canada, and the Philippines (Horatio Alger Association, 2018).

In January 2018, Abel was named Berkshire Hathaway's vice chairman for non-insurance operations and appointed to Berkshire's board of directors (Kim, 2018).

Ajit Jain

Ajit Jain is currently the Vice Chairman of Insurance Operations for Berkshire Hathaway. Jain is 69. He hails from the state of Orissa on the east coast of India. Though he started working for IBM in India at a young age, he moved to the U.S. at age 25. He received a B.Tech degree in Mechanical Engineering from IIT Kharagpur in 1972 and an MBA from Harvard in 1978.

After Harvard, he worked for McKinsey & Company. In 1986, Michael Goldberg, a Berkshire Hathaway executive and previous boss of Jain's at McKinsey, prompted Buffett to offer Jain a job. Since then, Jain has thrived at Berkshire Hathaway.

Buffett has stated that if he, Munger, and Jain are all in a boat that is sinking and there is just one that can be saved, the logical choice must be Jain (Buffett, 2018).

Buffett wrote in his annual letter in 2017:

“Ajit has created tens of billions of values for Berkshire shareholders. If there were ever to be another Ajit and you could swap me for him, don't hesitate. Make the trade!”

WEALTH

As of 2021, Buffett was worth over \$100 billion and Munger was worth \$2.2 billion. Most of their fortunes came from Berkshire's A shares. They both took a \$100,000 annual salary from Berkshire and that has not changed from the start. Munger cites titans of industry like Andrew Carnegie and Cornelius Vanderbilt as role models who only lived on the dividends of their enterprises, arguing that they saw it beneath them to receive a salary. Munger added:

“I wish our example spread more because I think if you're wealthy and own a share of a company and you get to decide what it does and whether it liquidates or whether it keeps going, that's a nice position to be in and maybe you shouldn't try to grab all the money in addition. And that's my theory on executive compensation (LaRoche, 2017).”

When asked why Buffett's wealth is much greater than his, Munger answered in his matter-of-fact way: “He got an earlier start. He's probably a little smarter. He works harder. There are not a lot of reasons. Why was Albert Einstein poorer than I was? (Lewis, 2019)”

BUFFETT & PHILANTHROPY

Originally, Buffett had no intention of being involved in philanthropy. He assumed that he would outlive his first wife, Susie. Then he would leave her all the money and she would oversee philanthropy. Unfortunately, life took a turn and she died.

Buffett's personal values even flowed over into his philanthropy. He did not believe in putting his name on buildings. In 2009, he said the following to several universities,

“There are many people who get great joy in putting their names on buildings. I prefer not to do this (Buffett, 2009).”

In 2006, Buffett decided to incrementally give away all his money. He made good on his commitment by donating \$3.4 billion and \$3.6 billion in stock to five charities in 2018 and 2019, respectively. The stock went to the Bill & Melinda Gates Foundation, as well as charities run by him and his children, including the Susan Thompson Buffett Foundation, the Sherwood Foundation, the Howard G. Buffett Foundation, and the NoVo Foundation. The Gates Foundation received four fifths of the donations. When Buffett explained his decision to donate much of his wealth to his family's foundations and to the Gates' in 2007, he told shareholders he believes in giving his excess wealth to people who are “energized, working hard at it, smart (Bach, 2018).”

“You know, the truth is, I have not given away anything in a practical matter ... I have everything in life I want. You know, there is no way I can sleep better, I can eat better. Other people might think I could eat better. I have not given up anything (Bach, 2018).”

By the time of his passing, Buffett will have given 99+% of his fortune to charity (Investopedia, 2020).

Bill & Melinda Gates Foundation

In 2006, Buffett made American history by making the largest ever charitable donation by an individual, \$37 billion, to the Bill & Melinda Gates Foundation, which seeks to eradicate poverty and assist with various global issues related to education and healthcare.

Susan Thompson Buffett Foundation

Susie Buffett, Buffett's daughter, is the head of the Susan Thompson Buffett Foundation, which was previously called the Buffett Foundation. It focuses on reproductive health and family planning grants across the world, including substantial investments in abortion and contraceptives. Additionally, it focuses on education. The Foundation gives scholarships to 4,000 Nebraska high school graduates who choose a Nebraska public college for their undergraduate studies.

Howard G. Buffett Foundation

Howard Buffett, Buffett's son, is the chairman of the Howard G. Buffett Foundation, which focuses on agriculture, nutrition, water, humanitarian, conservation, and conflict issues. Howard is also a director on the Berkshire Hathaway board.

NoVo Foundation

Peter Buffett, Buffett's youngest child, was on Barron's list of the most effective philanthropists in 2009 and 2010. He is the head of NoVo Foundation, which is involved in several areas, including adolescent girls' rights, prevention of violence against women, social and emotional learning, and supporting indigenous communities in North America.

Buffett's Philosophy on Giving Money to His Children

Buffett has said his children would not inherit a significant proportion of his wealth and that his great fortune would not be transferred from one generation to the next:

"I do not have a problem with guilt about money. The way I see it is that my money represents an enormous number of claim checks on society. It is like I have these little pieces of paper that I can turn into consumption. If I wanted to, I could hire 10,000 people to do nothing but paint my picture every day for the rest of my life. And the GNP would go up. But the utility of the product would be zilch, and I would be keeping those 10,000 people from doing AIDS research, or teaching, or nursing. I do not do that though. I do not use very many of those claim checks. There is nothing material I want very much. And I am going to give virtually all those claim checks to charity when my wife and I die (Kilpatrick, 2008)."

Sherwood Foundation

The Omaha-based Sherwood Foundation is committed to improving child and family welfare through community investments in public education, human services, and social justice.

Glide Foundation

Buffett donated to other charities in smaller amounts, including the Glide Foundation and Smile Train. The Glide Foundation is in downtown San Francisco and focuses on helping the homeless and needy. Buffett auctions off a lunch with himself every year to support Glide. In 2019, the winning bid was \$4.6 million from a 28-year-old cryptocurrency entrepreneur.

The Giving Pledge

Buffett has advocated that other billionaires join him and Bill and Melinda Gates in pledging to donate most of their fortunes to charity after they die through The Giving Pledge, started in 2010 by Buffett and the Gates. To date, it has attracted more than 186 billionaires from around the world in giving an amount of \$365 billion in wealth. Some of the more famous pledges have come from: Larry Ellison, Michael Bloomberg, Mark Zuckerberg and Priscilla Chan, Carl Icahn, Ray Dalio, Elon Musk, John Doerr, Leon Cooperman, Walter Scott, David Rockefeller, Barron Hilton, Ted Turner, Sheryl Sandberg, Seth Klarman, Sara Blakely, and T. Boone Pickens. Beyond the immense wealth involved,

what is also impressive about this list is that Buffett was able to attract billionaires from a diversity of backgrounds and political affiliations – another testament to the strength of Buffett’s character, integrity, and perseverance.

Girls, Inc. of Omaha

In 2015, Buffett’s 2006 Cadillac DTS, with 20,310 miles on the odometer, went for \$122,500 in a charity auction. This was more than 10 times its \$12,000 Blue Book value, thanks to its owner’s name and a good cause. The proceeds went to Girls, Inc. of Omaha, a charity favored by the Buffett family for years (Jordon, 2015). Girls, Inc. empowers Omaha girls through education and fitness, with programs to teach them important skills such as robotics and sciences, public speaking, personal finances, yoga, running, and bike riding (Girls, Inc., 2020).

Talks with Universities

Buffett traveled all over the world giving talks at universities until about 2005, when he decided to stop traveling to individual schools. To be more efficient, he invited 40 schools to visit him in Omaha to learn about business and life. He stopped doing this a few years ago due to health issues.

Secret Millionaire’s Club

Buffett created the cartoon series called Secret Millionaires Club, which features Buffett as a mentor to kids to learn about the practical aspect of life and money. It ran on The Hub Network from 2011 to 2014, and reruns still appear on television today. The series was made by A Squared Entertainment (now Genius Brands). I met one of the people responsible for helping to create Secret Millionaires Club. His name is Pat Terion, and he runs an investment management fund.

Foundation Goals

Buffett said: “I want my trustees to swing for the fence on a few projects that do not have natural funding constituencies, but that are important to society. I tell them that if they start giving half a million to this hospital and a million to that college, I will come back and haunt them (Kilpatrick, 2008).”

MUNGER & PHILANTHROPY

Munger has donated more than \$160 million to various causes at the University of Michigan including its law school, legal research building, lawyers club, fellowships, and residences.

He has also made major donations to Stanford University, whose alumni included his late wife, Nancy B. Munger and his daughter, Wendy. In 2004, he donated 500 shares of Berkshire Hathaway Class A stock (Valued at \$43.5 million) to Stanford to build a

graduate housing complex (Stanford Report, 2004). Munger also gave money for improvements to the library and a professorship of business in the law school.

The Mungers also gave money to the Marlborough School in Los Angeles and the Polytechnic School in Pasadena (California Institute of Technology, 2008).

Munger has given \$265 million to support the theoretical physics department and student housing at University of California, Santa Barbara. That is where his son Charles attended (Brugger, 2016; De La Merced, 2014).

Munger has given several million to California's Harvard-Westlake prep school as well other institutions that have been affiliated with his family.

In late 2018, Munger bought the 1,800-acre Las Varas Ranch on the Gaviota Coast for a reported \$70 million. He gifted it to University of California Santa Barbara (Hamm, 2018).

Munger is chairman of Good Samaritan Hospital in Los Angeles and has helped it on several major capital campaigns. In 2018 he gave it \$21 million (Good Samaritan Hospital, 2018).

In addition to supporting several education institutions, Munger has made major gifts to the Los Angeles YMCA and the Huntington Library (Golden, 2020).

DECISIONS

As Buffett and Munger prepared for the 2022 Annual Berkshire Hathaway Meeting they reflected on their lives and the tough future decisions that had to be made.

Three major issues were facing them. First, who was going to take over for them when they passed? Secondly, Berkshire Hathaway had \$145 billion in cash. What were they going to do with that? Finally, what should they do with their fortunes?

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Table 1: Comparison of the Performance of Berkshire's Stock versus the S&P 500: 1965-2020

Years	Annual % Growth In per-share market value of Berkshire	Annual % Growth In S&P 500 with dividends included
1965	49.5%	10.0%
1966	(3.4)	(11.7)
1967	13.3	30.9
1968	77.8	11
1969	19.4	(8.4)
1970	(4.6)	3.9
1971	80.5	14.6
1972	8.1	18.9
1973	(2.5)	(14.8)
1974	(48.7)	(26.4)
1975	2.5	37.2
1976	129.3	23.6
1977	46.8	(7.4)
1978	14.5	6.4
1979	102.5	18.2
1980	32.8	32,3
1981	31.8	(5.0)
1982	38.4	21.4
1983	69	22.4
1984	(2.7)	6.1
1985	93.7	31.6
1986	14.2	18.6
1987	4.6	5.1
1988	59.3	16.6
1989	84.6	31.7
1990	(23.1)	(3.1)
1991	35.6	30.5
1992	29.8	7.6
1993	38.9	10.1
1994	25	1.3
1995	57.4	37.6
1996	6.2	23
1997	34.9	33.4
1998	52.2	28.6
1999	(19.9)	21
2000	26.6	(9.1)
2001	6.5	(11.9)
2002	(3.8)	(21.1)
2003	15.8	28.7

2004	4.3	10.9
2005	.8	4.9
2006	24.1	15.8
2007	28.7	5.5
2008	(31.8)	(37)
2009	2.7	26.5
2010	21.4	15.1
2011	(4.7)	2.1
2012	16.8	16
2013	32.7	32,4
2014	27	13.7
2015	(12.5)	1.4
2016	23.4	12
2017	21.9	21.8
2018	2.8	(4.4)
2019	11.0	31.5
2020	2.4	18.4
Compound Annual Gain – 1965-2020	20%	10.2%
Overall Gain - 1964-2020	2,810,526%	23,454%

