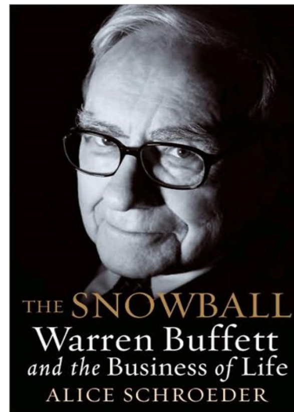
The Snowball

Warren Buffett and the Business of Life



Author/s: Alice Schroeder
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About the Author/s

Alice Schroeder was a Wall Street Analyst and a managing director at Morgan Stanley when she decided at Warren Buffett's suggestion to write full-time. Texas-born, Ms. Schroeder earned her undergraduate degree and an MBA at the University of Texas at Austin before moving east to work in finance. A former CPA, she lives in Connecticut with her husband.

■ The Big Idea

In **The Snowball**, Alice Schroeder reveals several of Warren Buffett's guiding principles:

1. Use a margin of safety, since investing is based on estimates and uncertainty.
2. The market's moods should not influence an investor's view of price. However, the market occasionally offers the chance to buy low and sell high.
3. To limit risk with investments, never use a significant amount of debt.
4. Define a circle of competence which guides investments. Do not invest in businesses that you don't understand.
5. Most people should not be active investors and instead should buy a low cost stock index fund over time.
6. Consider investing in companies with a business model that promotes equilibrium. Buffett's companies could respond internally to the changing business environment using float. They also earned money through compounding, as float and investments multiplied over time.
7. Love cannot be bought. If a person reaches old age and no one thinks well of them, their life is a disaster, no matter how large their bank account.

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FEATURES OF THE BOOK

Reading Time: 30 hours, 960 pages

Alice Schroeder has done a significant amount of research about Warren Buffett, spanning multiple decades. In **The Snowball**, she has transformed this information into a fascinating account about one of the most influential people in business. Schroeder recounts Buffett's story in an objective and non-judgmental manner. The book's index is comprehensive enough to allow readers to find specific aspects of Warren Buffett's life, if they are interested in simply accessing particular topics. However, **The Snowball** truly is a story, with characters and plots. Ideally, it should be read in its entirety and in the order presented. The book would be engaging for anyone who has an interest in the professional and personal lives of Warren Buffett.

INTRODUCTION

Most people equate the name Warren Buffett with canny investing, enormous amounts of money, and a generous, philanthropic spirit. In The Snowball, Alice Schroeder provides readers with a detailed and insightful portrait of this American business icon. She traces the growth of Buffett's fortune from the days of selling gum door-to-door in Omaha, to owning some of the most profitable companies in the world. Yet, the book also shines a light on Buffett's personal life – a life that is fraught with insecurities and troubled relationships. The Snowball is a well-researched biography that tells Warren Buffett's story in an engaging way.

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THE EARLY YEARS

Warren Edward Buffett was born on August 30, 1930, just ten months after the 1929 stock market crash. Buffett's father, Howard, was familiar with the world of finance and investing. Prior to the stock market crash, Howard Buffett had been working as a stockbroker for the Union State Bank in Omaha, Nebraska. In August 1931, he lost his job when the bank closed its doors, leaving depositors unpaid. Within two weeks, however, he and two partners filed the papers to start a stock brokerage firm. It was a maverick decision, and in the midst of financial disaster the business succeeded.

Warren's mother, Leila, was devoted to helping Howard prosper. Yet, she was harsh with her children, badgering them relentlessly over small matters. Schroeder describes repeatedly how Warren and his sisters never felt loved by their mother. Over time, Warren started spending much of his time at neighbors' and relatives' houses. By the time he entered kindergarten, Warren's hobbies and interests revolved around numbers. He was never bored by repetition and thought about numbers all the time and everywhere. He learned to calculate odds and loved anything that involved collecting, counting, and memorizing numbers. While Warren worked hard to be liked and to get along well with others, something about him struck his friends as lonely.

The first few cents that Warren Buffett ever earned came from selling packs of chewing gum door-to-door when he was six years old. He moved on to selling Coca-Cola to neighbors on summer nights, as well as copies of the *Saturday Evening Post* and *Liberty* magazines. Schroeder suggests that Buffett had transitioned from collecting stamps to collecting cash. Even as a child, Warren wanted money. He felt that it could make him independent, enabling him to do what he wanted with his life. Warren's greatest aspiration was to work for himself. At the library, he found a book called *One Thousand Ways to Make $1,000*. One idea that caught Warren's attention was pennyweight scales where people would pay money to get weighed. He wanted to buy a weighing machine and use the profits to buy more scales. The concept of compounding money became critically important to Buffett. The way that money accumulated as interest is added to principal reminded him of the way a snowball grew, and he recognized that compounding could transform a small sum of money into a fortune.

One of the most significant episodes in Buffett's life was when he got his sister to buy three shares of Cities Service Preferred Stock and he bought three shares too. They paid $114.75 for three shares and then the stock price plunged. The stock price eventually recovered, however, and netted a $5 profit for Warren and his sister. Unfortunately, Buffett sold the stock before it soared to $202 per share. Schroeder recounts how Buffett learned three lessons from this incident. First, he discovered not to fixate on what he had paid for a stock. Second, he learned not to rush unthinkingly to grab a small profit. Third, when he invested other people's money, he did not want to have responsibility unless he was sure he could succeed.

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Through a variety of jobs, including newspaper routes in Washington, D.C. while his father served as a senator, Buffett saved a thousand dollars by the time he was fourteen years old. He took great pride in that accomplishment. In 1944, he filed his first income tax return. Three years later, in 1947, Buffett graduated sixteenth out of his class at Woodrow Wilson High School in Washington. He gave up his paper routes and got a summer job as a relief circulation manager for the *Times-Herald* newspaper, as well as a second job distributing papers at the Georgetown University Hospital. He enrolled at the University of Pennsylvania's Wharton School of Business. Although he never went out on any dates, he sometimes showed up at his fraternity's Saturday night parties. Buffett was able to draw a little crowd by sitting in a corner and lecturing on the stock market. When his father was not re-elected to Congress in 1948, Buffett decided to leave Wharton at the end of his sophomore year. He returned to his family in Omaha and enrolled in the University of Nebraska in Lincoln.

As Buffett approached his college graduation in 1950, he decided that he wanted to attend the Harvard Graduate School of Business. At nineteen, he was two years younger than the average college graduate and younger than the average business school student. While his grades were good, they were not stellar. The Harvard interviewer turned Buffett down and told him he would have a better chance in a few years. Warren then turned his attention to the Columbia University catalog and found two familiar names: Benjamin Graham and David Dodd. Graham had published *The Intelligent Investor* in 1949, espousing that investing should be systematic. Buffett then became determined to attend Columbia's Graduate School of Business. Even though he applied after the deadline and did not have an interview, the university accepted him.

Schroeder describes how Buffett looked up to Ben Graham with worshipful awe. In addition to teaching at Columbia, he had built Graham-Newman Corporation into one of the best known investment firms in the industry. Graham's performance was accomplished mainly through his skill at analyzing numbers. He developed the first thorough and systematic way of analyzing the value of a stock, using publicly available information like company financial statements. After taking Graham's class, Buffett took away three main principles that stayed with him the rest of his life:

A stock is a right to own a little piece of a business. It is worth a certain fraction of what you would be willing to pay for the whole business.

Because investing is based on estimates and uncertainty, it is advisable to use a margin of safety. A wide margin of safety ensures that the effects of good decisions are not wiped out by errors.

"Mr. Market" is your servant, not your master. Graham had invented a moody character called Mr. Market who offered to buy and sell stocks every day, often at prices that did not make sense. He felt that Mr. Market's moods should not influence one's view of price. Yet, occasionally, Mr. Market offered the chance to buy low and sell high.

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SETTLING DOWN

During the summer of 1950, before he went to Columbia, Warren's sister Bertie set him up on a date with Susan Thompson, her roommate from Northwestern University. At the time, Susie was in love with someone else. However, when he was back in Omaha, Warren developed a strategy of befriending Susie's parents as a gateway to their daughter. Despite her initial lack of interest in Buffett, Susie was an extrovert and liked to learn about people whenever she could. As a result, she grew to know Buffett and by Thanksgiving 1951, they were planning their April 1952 wedding. Schroeder describes how Susie understood the damage that Leila Buffett's temper had done to her son's self-esteem. Susie knew that the main thing Warren needed was to feel loved and never criticized. He also needed to feel that he could succeed socially.

After graduating from Columbia, Warren wanted to work for Graham-Newman; however, Ben Graham turned him down. At that time, Graham-Newman only hired Jewish employees, since the other large investment firms refused to do so. As a result, Buffett decided to become a stockbroker back in Omaha. Unfortunately, important accounts did not take him seriously. He struggled to make sales and began looking for any way to make himself less dependent on the job he hated. Stockbrokers were paid based on turnover, rather than giving advice. Buffett discovered that he would rather manage people's money than sell them stocks. Unfortunately, there were no opportunities like this in Omaha.

Finally, in August 1954, Buffett was hired by Graham-Newman in New York City. The prior year, in July, Susie and Warren's first child, Susan Alice, was born. Warren found a three bedroom apartment in White Plains, NY where the family could live. At Graham-Newman, Buffett went through a *Standard & Poor's* or a *Moody's Manual* and looked for companies that were selling below working capital. These companies were what Graham called "cigar butts," or cheap stocks that had been overlooked by others. Graham-Newman bought tiny positions in huge numbers of stocks – known as the principle of diversification. Warren learned the art of capital allocation – that is, placing money where it would earn the highest return. His performance was outstanding and it made him the golden boy of the firm. While there were waves of money rolling into the apartment in White Plains, Schroeder recounts that Warren gave Susie only a small household allowance. Meanwhile in December 1954, their second child, Howard "Howie" Graham Buffett, was born.

When Ben Graham retired in the spring of 1956, he offered Warren the opportunity to become a general partner in the firm. Warren refused, however, since what he valued about Graham-Newman was the opportunity to work with Ben Graham himself. Instead, Warren decided to start a partnership in Omaha, like Graham-Newman's sister hedge fund, Newman & Graham. Unable to tolerate criticism from partners if stock

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performance went down, he planned to invite only his family and friends into the partnership.

Back in Omaha, Warren worked on the partnership and taught two classes at the University of Omaha. Despite his business successes, he was still very immature. For Susie, his helplessness at home meant that he was like having a third child to care for. Warren pursued his goal of becoming a millionaire, by raising more money to manage. At the end of 1956, he wrote a letter to the partners outlining the partnership's results. It had earned a total income of slightly more than $4,500, beating the market by about four percent. Just two years later, in 1958, Buffett was managing more than $1 million in seven partnerships and his personal money by continuing his methodical method of investing. That same year, the Buffetts bought their first house and their third child, Peter, was born.

Cash continued to pour into Buffett's partnerships, but Warren continued to handle all the money and clerical work himself. On January 1, 1962, he dissolved all the partnerships into a single entity: Buffett Partnership Ltd. or BPL. He had also reached the limits of what could be done in a home office. While Buffett disliked taking on overhead expenses, he certainly could afford it. He rented office space in Kiewit Plaza, about twenty blocks from his house and close to downtown Omaha. For the first time, he put his own money – almost $450,000 – into the partnership.

Buffett continued to apply the "cigar butt" technique, which was to keep buying a stock as long as it continued to sell below book value. If the price rose for any reason, he could sell out at a profit. If it did not and he ended up buying until he owned so much of the stock that he controlled the company, he could sell off, liquidating the company assets at a profit. Meanwhile, Buffett had become friends with an attorney in Pasadena named Charlie Munger. While Buffett and Munger were not partners, Munger had recently opened a partnership of his own, using the proceeds of real estate investments. Like Buffett, Munger bought cigar butts, did arbitrage, and acquired small businesses. However, he was also interested in the intangible qualities of companies like the strength of the management, the durability of the brand, and the competitive landscape. By the early 1960s, the Buffetts were vacationing in California so Warren could spend more time with Munger.

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BERKSHIRE HATHAWAY

One of Buffett's acquaintances alerted him to a textile maker in New Bedford, Massachusetts that was selling at a discount to the value of its assets. Buffett began slowly accumulating the stock, and eventually drove up to New Bedford to see the plant. After an unpleasant conversation with the president, Seabury Stanton, Buffett vowed to buy all of Berkshire. This would turn out to be a bad decision. In April 1965, Buffett succeeded in his quest and was nominated to the board of Berkshire Hathaway.

Buffett's investing continued. In January 1966, partners had given him an additional $6.8 million. He found himself with a $44 million partnership, but no stocks or companies which met his standards to purchase. For the first time ever, he left money unused and announced that he would be shutting the door to the partnership. As the Vietnam War escalated during 1966 and the stock market began to decline, Buffett become concerned about how to maintain his performance. He considered buying entire businesses as an alternative. Buffett, along with Charlie Munger and David "Sandy" Gottesman, formed a holding company called Diversified Retailing Company, Inc. or DRC. Buffett owned 80 percent of DRC, while Munger and Gottesman each owned 10 percent. The group bought a Baltimore-based department store called Hochschild-Kohn. The retail business model proved to be poor, however. Profit margins were thin and competition was stiff. Whenever one department store in Baltimore made an improvement, all the other large stores in the city had to follow. Buffett found that he had lowered his standards to justify an investment.

On the home front, all was not well. Buffett's preoccupation with investing prevented him from giving his children much, if any, attention. Susie, meanwhile, was becoming active in the civil rights movement as a way to avoid being alone and unoccupied. From an early age, each of the children knew not to expect financial help from Buffett except to pay for their education. Yet, money was routinely used as a tool of control in the house. Schroeder describes how Buffett was obsessed with his family's weight and preoccupied with keeping them all thin. At various times in his life, he paid Susie, Susie Jr., and Howie to maintain what he felt were acceptable weights.

Berkshire Hathaway's textile business was now in financial crisis. By 1967, the mills were operating at break even. Buffett tried to pull money out of the textile business as fast as possible. While he refused to invest in the business, he also refused to shut down the plants which would throw hundreds of people out of work. His most important task was to find something new that he could hitch to Berkshire Hathaway to balance its drag on the performance of his portfolio.

The answer was in National Indemnity, an insurance company. National Indemnity assumed a lot of risk and needed lots of capital to do so. If National Indemnity made money, however, Buffett could send those profits out to buy other businesses and stocks.

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Grafting the insurance business onto the failing Berkshire Hathaway created equilibrium for Buffett's investment portfolio. By mid-1968, Buffett had decided to get rid of Berkshire Hathaway, but could not find a buyer. He closed down the apparel and box loom divisions of the company, but could not bring himself to shut down all the operations, leaving him with a partnership that owned two businesses. National Indemnity was thriving, while Berkshire Hathaway was failing. He also owned eighty percent of Diversified and shares in a wide range of other companies.

In the meantime, Buffett and Munger had started to buy as much stock as possible in Blue Chip Stamps, a trading stamp company. Schroeder explains how the pair wanted Blue Chip because it had something called 'float': retailers paid for trading stamps in advance, consumers collected them, and turned them in later for prizes. During the time between the purchase and redemption times, Blue Chip could invest the money, sometimes for years. Insurance companies offered another type of business with float, since premiums were paid before claims came in.

THE UNWINDING

Around Memorial Day in 1969, Buffett wrote to the partners indicating that he would give formal notice of retirement at year end and close down the partnership in early 1970. He did not feel attuned to the market environment and did not want to spoil a decent record.

The departing investors were surprised to find that through their ownership in Berkshire Hathaway, they owned a trading stamp company, a bank, and a newspaper. Now they had to decide whether to retain ownership in these diverse interests or trade them for cash. Buffett wanted them to choose the cash, leaving the Berkshire Hathaway and Diversified Retailing stocks for himself. On December 5, 1969, he gave a prediction about how the two stocks would do: "My personal opinion is that the intrinsic value of DRC and Berkshire Hathaway will grow substantially over the years. I would be disappointed if such growth wasn't at a rate of approximately 10 percent per annum."

At the end of 1970, many of the former partners had cashed out, while Warren continued buying more stock, and his and Susie's ownership of Berkshire had grown from 18 percent to almost 36 percent. Their ownership of Diversified had also increased to 39 percent. He had also bought more Blue Chip, taking him to over 13 percent ownership of its stock.

By 1973, Buffett was becoming a business mogul on a small scale. Berkshire Hathaway and Diversified were his companies, while Munger had control over Blue Chip Stamps.

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Schroeder suggests that the interlocking ownership of these three companies tightened the business relationship between Buffett and Munger. Berkshire Hathaway was Diversified's largest shareholder and also owned Blue Chip stock. Each company also acted as a holding company for businesses that were not traded publicly. For example, Blue Chip owned See's Candies which was so profitable that it more than offset the losses from the rapidly shrinking trade stamp business.

TROUBLE WITH THE SEC

Buffett and Munger were always on the lookout for potential new investments, and Wesco Financial, a savings and loan in Pasadena, caught their eye. Wesco owned Mutual Savings, but had never exploited its opportunities for growth. In addition, it was extremely profitable because it kept its profits very low. Betty Casper Peters was the only member of the founding family who served on the board. Wesco was considering a merger with Financial Corporation of Santa Barbara, but Peters felt that it should be focusing on growing its Mutual Savings business instead. She asked the board to meet with Buffett and Munger, and brought her whole family around to voting against the Santa Barbara deal. The stock price plummeted from $18 to $11 on the news. Blue Chip ended up paying $17 for one quarter of Wesco's shares – the price at which they had traded before the Santa Barbara deal fell through. Since Buffett and Munger felt they had stopped the merger, they did not want to take advantage of the situation by buying stock at the market price.

Buffett was now effectively the largest Blue Chip shareholder. Blue Chip then began to formally tender for additional Wesco's shares, paying $15 per share in cash until it owned more than half. Wesco, with Munger serving as chairman, would reside inside Blue Chip. Schroeder describes the two key elements of the business model which Buffett had created through Berkshire, Diversified, and Blue Chip. First, the model promoted equilibrium; by grafting float onto a holding company, it could respond internally to the changing business environment. Second, the model utilized the power of compounding, because float and investments multiplied over time. Schroeder emphasizes that the novelty and strength of this model cannot be overstated.

By early 1975, the Securities and Exchange Commission (SEC) was considering pressing charges against Buffett and Munger for violating securities laws. What had drawn the regulators' attention was a project in which Buffett and Munger were trying to untangle the several companies they owned. The SEC believed that they had broken up the Wesco-Santa Barbara deal deliberately by offering a high price for a quarter of the stock, with an underlying purpose of taking over the rest. The Financial Corporation of Santa Barbara, in fact, had turned Blue Chip in to the SEC.

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Buffett began to fight desperately to save his reputation. He made himself helpful, going to Washington several times, explaining how Blue Chip worked and explaining his investment philosophies. The complex cross holdings that Buffett had created, however, made it seem like he was trying to hide something. The SEC's prosecutor recommended that the SEC file charges against Buffett and Munger personally. Chuck Rickershauser, a partner in Munger's law firm, made repeated pleas to the SEC on Buffett and Munger's behalf. Finally, Blue Chip consented to an SEC finding in which it neither admitted nor denied that it failed to notify investors that it was trying to prevent the Santa Barbara merger by buying Wesco's stock, and that Blue Chip had artificially propped up Wesco's market price over the course of three weeks. The consent decree named no individuals, so Buffett's and Munger's records and reputations stayed clean. Two weeks later, the SEC named Buffett to a blue-ribbon panel to study corporate disclosure practices.

THE KING OF WALL STREET

As Buffett's investments and business acumen grew, he traveled extensively and became acquainted with more and more powerful people. He developed a close friendship with Katharine Graham, the publisher of the *Washington Post*. Susie Buffett had grown increasingly depressed about her marriage and felt that Graham was trying to pursue her husband. In Warren's absence, Susie started to work on a serious singing career and decided to relocate to San Francisco. While singing in Omaha, Susie had met Astrid Menks, the maitre d' at the French Café, and she asked Astrid to look after Warren and cook him dinner from time to time while she was in California.

By early 1978, with encouragement from Susie, Astrid Menks was calling on Buffett and cooking him meals. Gradually, however, the relationship became something more, and Warren began to accept that Susie was not coming back to him. In May 1978, Astrid moved in with Warren. Although initially shocked, Susie came to accept the relationship, which in fact made her new life easier. Throughout this unconventional arrangement, Susie and Warren remained married and Susie attended all of Warren's social and business events outside of Omaha. They talked nearly every day on a special "hotline" in Susie's apartment, and Susie was grateful to Astrid, as long as she accepted the limited public role that Susie had defined for her. However, although she was now living a largely independent life, Warren continued to control all funds available to her.

Buffet and Munger's empire now had assets of over half a billion dollars and controlled more than half of Berkshire Hathaway and 65 percent of Blue Chip. These two companies owned National Indemnity, the Rockford Bank, See's Candies, Wesco, the *Buffalo Evening News*, 10 percent of the *Washington Post*, a quarter of Pinkerton's

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detective agency, 15 percent of GEICO Insurance, and many other stocks. The managers who ran the businesses that Berkshire and Blue Chip owned were lucky because Buffett largely left them alone. Schroeder explains that his trick of management was to find obsessed perfectionists like himself who worked incessantly.

The engine of compounding worked on Buffett's and Munger's behalf. The method was the same as it had been years earlier – estimate an investment's intrinsic value, handicap its risk, buy using a margin of safety, concentrate, stay in the circle of competence, and let it roll as compounding did the work. In 1983, Buffett and Munger agreed on a value for Blue Chip and Berkshire swallowed it whole. Buffett and Munger were now full partners for the first time, though Munger was clearly the junior partner.

At age 55, Warren Buffett was a billionaire. In 1985, Berkshire Hathaway was trading at more than $2000 a share. Buffett steadfastly refused to split the stock into smaller pieces, and the high stock price drew widespread attention to Berkshire. That year, Buffett finally pulled the plug on Berkshire Hathaway's textile mills. For some time, Buffett had played a dual role. He ran Berkshire Hathaway as if he still managed money for his partner, but he also lived the life of a major company CEO. He could no longer do both due to taxes. Berkshire was already burdened with corporate income taxes. A corporation could sell its assets without paying any taxes as long as it was liquidating and distributing the assets to the shareholders. The shareholders would be taxed on their gain, but the gain would not be taxed twice. Once the General Utilities Doctrine was repealed in 1986, however, any liquidation of a corporation and distribution of its assets would result in a tax on the corporation's profits and another tax on the shareholders upon distribution. Although he could have chosen to liquidate Berkshire Hathaway to avoid the double taxation, Buffett elected not to do that because he was so attached to Berkshire as an organization. Buffett instead decided to choose the role of CEO.

At the end of 1986, John Gutfreund, CEO of Salomon Brothers investment bank, called Buffett. He wanted Buffett to invest in Salomon as a white knight to save the company from a corporate raider. Buffett said that Berkshire would buy $700 million of Salomon preferred stock. With the deal, both Buffett and Munger got board seats. Buffett invested in Salomon despite the fact that it suffered from multiple conflicts of interest with its customers. Unfortunately, Buffett's urge to make money had overwhelmed his high hopes, high aspirations, and high principles. The Salomon board had only limited knowledge of the company's business details. In August 1991, it was revealed that Paul Mozer who ran Salomon's government bond department had broken the Treasury Department's auction bidding rules several times in 1990 and 1991. The New York Federal Reserve demanded a thorough change in the executive leadership. Buffett reluctantly agreed to become interim chairman of Salomon Brothers. He discovered that the board had been subjected to information rationing by management, and that there was considerably more lying and cheating than had been initially thought. Buffet slashed the year-end bonus pool, resulting in the departure of many of the top employees, but he also embraced regulators and law enforcers instead of hunkering down. The fine from Justice and Treasury would be $190 million plus a $100 million restitution fund. In May 1992,

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the U.S. Attorney and the SEC announced a settlement with Salomon over fraud and record-keeping charges. Buffett announced that he was stepping down as interim chairman. His testimony in Congress as the reformer and savior of Salomon had turned him from a rich investor into a hero.

BUSINESS AND PERSONAL STRUGGLES

Buffett's investments continued to increase in value and in early 1996, Berkshire stock skyrocketed to $34,000 a share, valuing the company at $41 billion. Buffett took pride in never splitting the stock and he swore he never would. Instead, he decided to issue a new class of shares called B shares. Each B share was equal to 3.33 percent or 1/30 of an A share. However, troubles were emerging at companies in which Berkshire Hathaway owned a significant amount of stock (including Coca-Cola and a reinsurance company, General Re), leading some believers to question Buffett's wisdom.

Nevertheless, in September 2003, *Fortune* magazine named him the most powerful person in business. Schroeder describes how this accolade was overshadowed, however, by a biopsy performed on Susie which revealed that she had stage three oral cancer. She would need major surgery, and there was a fifty percent chance of surviving five years. Buffett decided to spend every weekend in San Francisco with his wife during the coming months.

In prior years, Buffett had focused on business issues whenever asked about his mistakes. He had regularly stated that said his number one mistake had been to spend twenty years trying to revive the failing Berkshire Hathaway textile mills. His mistakes of omission, i.e. things he could have done and did not do, plagued him the most. However, Schroeder hints that Buffet developed a new perspective after Susie's cancer surgery. When asked what his greatest successes and failures were, he told her that success in life is measured by how many people you want to love you actually do love you.

Susie made it through the surgery and radiation, and in March 2004, an MRI scan indicated that the cancer was gone. Her doctor indicated that she could count on one good year. Yet, in July of that year, she suffered a stroke on an annual trip to Wyoming. She died in a hospital there with Warren, daughter Susie Junior, and son Peter, at her side. Her other son, Howard, was travelling in Africa and could not get home in time to be with his mother before she died. For about two months after Susie's death, Warren seemed deeply depressed. Eventually, he began to connect with his children in a new way and he brought Astrid Menks more and more into his public life. On his seventy-sixth birthday, Buffett married Astrid in a civil ceremony at Susie Junior's house, with no guests other than family.

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BUFFETT'S LEGACY

In June 2006, Buffett announced that he would give away 85% of his Berkshire Hathaway stock, worth $37 billion at the time, to a group of foundations over a number of years. The largest portion, five out of every six shares, would go to the Bill & Melinda Gates Foundation. Over the years, Buffett had become very close with Bill Gates (Schroeder suggests that he viewed Gates as a third son), and Buffett also had a deep admiration for the structure and mission of the Gates Foundation. He required that the money be spent as it was given, so the foundations could not perpetuate themselves. He divided the remaining shares, about $6 billion, among his children's individual foundations (each received shares worth $1 billion) and the Susan Thompson Buffett Foundation (which received the remaining $3 billion). Donating such large sums of money without naming something after himself was a nearly unprecedented action.

Warren Buffett describes the story of his life as a series of happy accidents. Yet, if one had asked Warren as a little boy if he wanted to be the richest man in the world, he would have said "Yes." That passion led him to study a universe of thousands of stocks. He analyzed economic statistics until he had a deep understanding of their meaning. Buffett attached himself to everyone who could help him and paid attention to little but his passion for business. He defined a circle of competence to avoid making mistakes and to limit risk, he never incurred significant amounts of debt. Buffett's love of money kept him going and led him to lower his standards from time to time. On the other hand, it also saved him from serious losses by keeping him from abandoning his margin of safety. Warren never stopped thinking about ways to make money and he used his energy, focus, and rational temperament to accomplish his goals.

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