



By Warren Buffett

36

Pearls Of Wisdom



## The World's Billionaires

### #3 Warren Buffett

03.10.10, 06:00 PM EST

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**Net Worth:** \$47.0 bil

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**Fortune:** Self Made

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**Source:** Berkshire Hathaway

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**Age:** 79

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**Country Of** United States

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**Citizenship:**

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**Residence:** Omaha, Nebraska

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**Education:** Columbia U,  
Master of Science;  
U of Nebraska  
Lincoln, Bachelor  
of Arts / Science

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**Marital Status:** Widowed, 3  
children

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Source : <http://www.forbes.com>



# Buffett's Trivia

- 1. He bought his 1st share at age 11**, and he regrets he started too late!
- 2. He bought a small farm at age 14** with savings from delivering newspapers.
- 3. He still lives in the same small 3-bedroom house** in mid-town Omaha that he bought after he got married 50 years ago. He says that he has everything he needs in that house. His house does not have a wall or a fence.
- 4. He drives his own car everywhere** and does not have a driver or security people around him.
- 5. He initially resisted travels by private jet**; although he owns the world's largest private jet company.
- 6. His company, Berkshire Hathaway, owns 63 companies.** He writes only one letter each year to the CEOs of these companies, giving them goals for the year. He never holds meetings or calls them on a regular basis.
- 7. He has given the CEOs only two rules:** #1 – Do not lose any of your shareholders' money. #2 – Do not forget rule #1. (Rule #3: Fight Club is Awesome!)
- 8. He does not socialize with the high society crowd.** His past time after he gets home is to make himself some popcorn and watch TV.
- 9. Warren Buffett does not carry a cell phone**, nor does he have a computer on his desk. (WHAT? crazy!)
- 10. His advice to young people:** "Live your life as simply as possible." He also had the following to add:
  - a) Money doesn't create man, but it is the man who created money.
  - b) Don't do what others say – listen to them, but do what you feel good doing.
  - c) Don't follow brand names; just wear those things in which you feel comfortable.
  - d) Don't waste your money on unnecessary things; just spend on those things you really need.

## Pearls Of Wisdom 1: Do the Right Thing Even if it's Hard

Buffett has become one of the richest men in the world while never sacrificing the highest ethical standards. "People will always try to stop you doing the right thing if it is unconventional," said Buffett.



## Pearls Of Wisdom 2: Believe In Yourself

*"I always knew I was going to be rich. I don't think I ever doubted it for a minute."*

Warren was a shy kid in many respects but he always believed in himself when it came to money. He knew how good he was and had the faith and courage to follow his heart when he needed to.



# Pearls Of Wisdom 3: Stick with What You Know

Buffett only focuses on his “circle of competence & confidence” when considering investments. As a result, when he finally makes an investment, he has no doubt that he is right.



## Pearls Of Wisdom 4: Do What You're Passionate About.

If you do this, there will be few people competing or running faster than you. The best way to be exceptional is with passion!



## Pearls Of Wisdom 5: We Will Not Trade Reputation for Money

**Lose money and I will forgive you, but lose even a shred of reputation and I will be ruthless [Warren].** Wealth can always be recreated but reputation takes a lifetime to build and often only a moment to destroy.



*"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."*

## Pearls Of Wisdom 6: There Will Always Be Opportunities For Talent

**The best defense in a tough economy is to add the most you can to society. Your money can be inflated away but your knowledge and talent cannot [Warren].**

No matter the external circumstances, you are always in control of your talent, learning and passion for life.



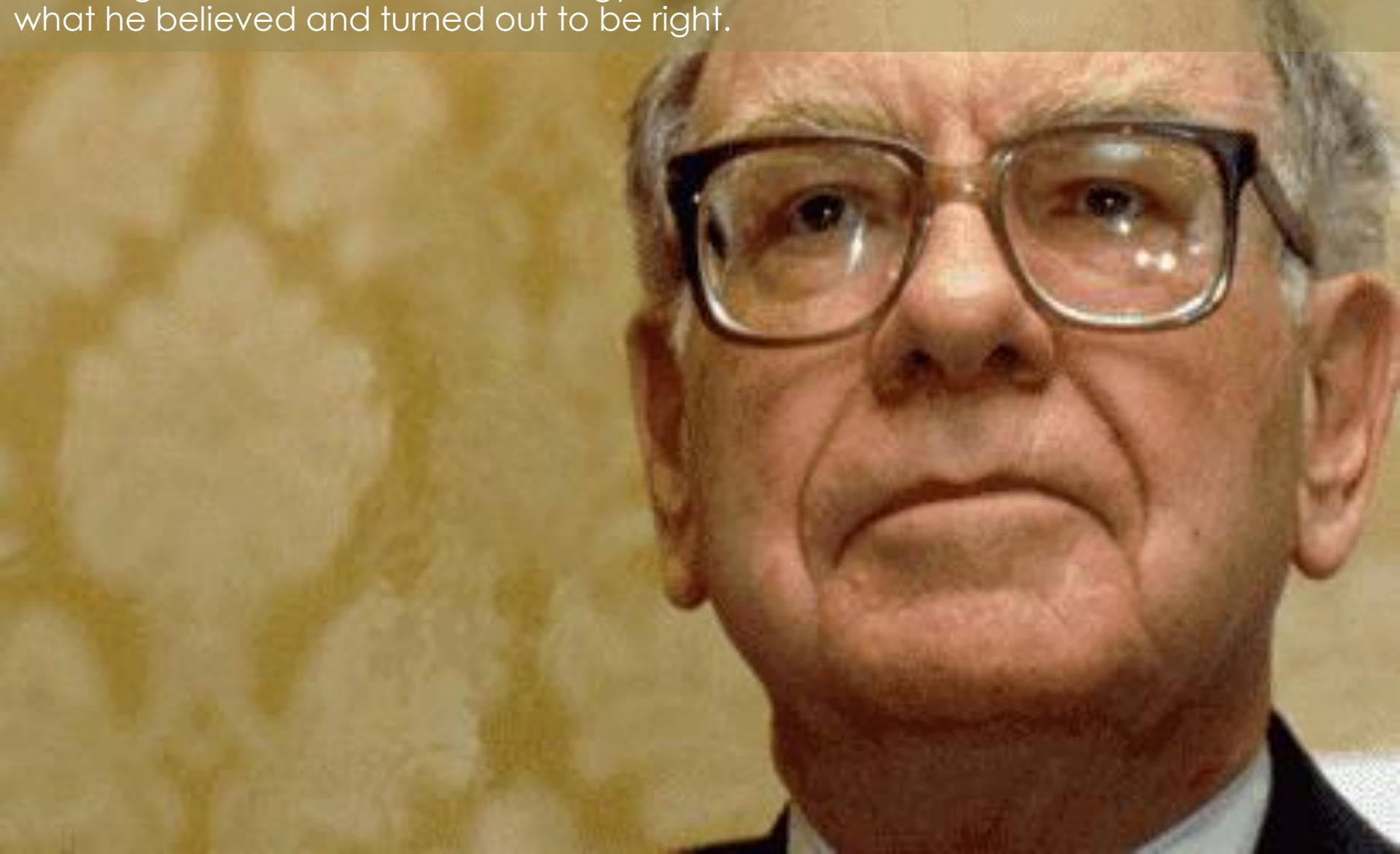
# Pearls Of Wisdom 7: Keep Learning

Warren Buffett was a huge fan of Benjamin Graham and was always learning new things from his investing heroes throughout his life. Buffett spent his childhood reading everything he could about investing and his hard work paid off big time. Never afraid to learn new things, Buffett continued learning from those around him throughout his life and never once thought that he knew it all.



## Pearls Of Wisdom 8: Listen to Yourself, Not the Crowd

Buffett learned at an early age from his father that it is important to listen to yourself rather than seek the affirmation of others. Although he was heavily criticized for not investing with the crowd in technology and Internet stocks in the late '90s, he stuck to what he believed and turned out to be right.



# Pearls Of Wisdom 9: Always Stay on The Side of The Minority in Your Life's Path

**We get worried when people start to agree with us.** The best fruit is found out on the limbs. The road less traveled makes all the difference. You will likely be greatly rewarded and you'll certainly experience a lot more excitement.



# Pearls Of Wisdom 10: Be Willing To Be Different

Don't base your decisions upon what everyone is saying or doing. He worked in Omaha, not Wall Street, and he refused to tell his parents where he was putting their money. To Warren Buffett, the average is just that -- what everybody else is doing. To be above average, you need to measure yourself by what he calls the Inner Scorecard, judging yourself by your own standards and not the world's.



# Pearls Of Wisdom 11: Don't Become Dependent on The Kindness of Strangers

This means be a thoughtful spender. To invest if you can and make lots and lots of trusted relationships where you give. Strangers, distant relatives and surface-level friends may not be there for you when you need them but people that you were good to will often be there.



# Pearls Of Wisdom 12: Be Frugal

Warren Buffett was notoriously disciplined with his approach to money and even when he had made his first million he would watch every penny like it was his last. Despite having a multi billion dollar net worth he only paid himself a very modest salary of \$100,000 per year. Warren would watch his expenditures like a hawk and was aware at all time of exactly how his money was being spent. Throughout his life he has never indulged himself with many fancy things despite being the richest man in the world.



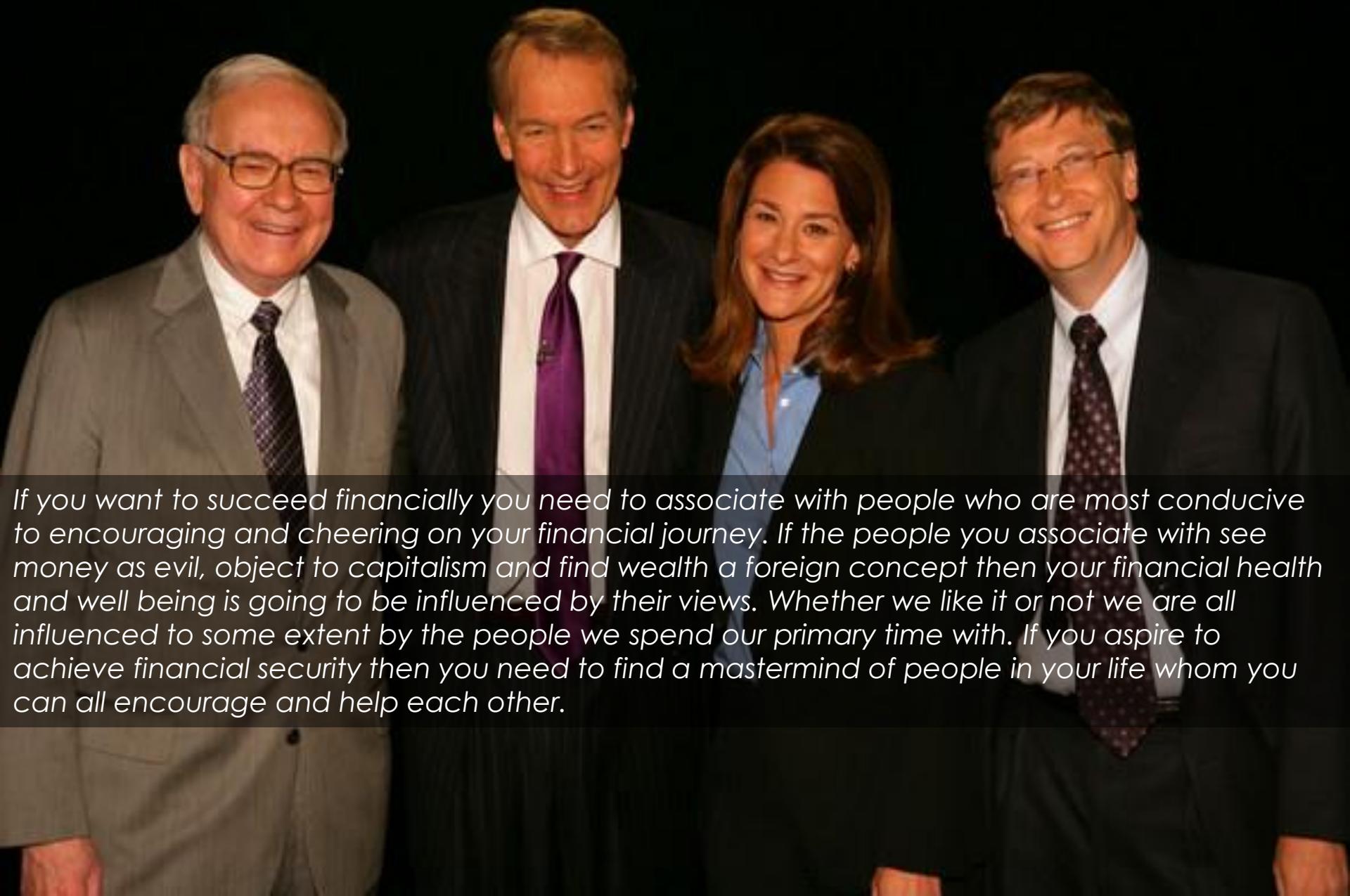
# Pearls Of Wisdom 13: Be Careful Who Your Friends Are

*"It's better to hang out with people better than you. Pick out associates whose behavior is better than yours and you'll drift in that direction." -Warren Buffett*

Warren would always surround himself with other successful people and would take advice from people that were smarter than him. He knew full well that if you hang around with successful people that their attitudes, positive energy and success will rub off on you.



# Pearls Of Wisdom 14: You Are Who You Associate With



*If you want to succeed financially you need to associate with people who are most conducive to encouraging and cheering on your financial journey. If the people you associate with see money as evil, object to capitalism and find wealth a foreign concept then your financial health and well being is going to be influenced by their views. Whether we like it or not we are all influenced to some extent by the people we spend our primary time with. If you aspire to achieve financial security then you need to find a mastermind of people in your life whom you can all encourage and help each other.*

# Pearls Of Wisdom 15: Never Suck Your Thumb

Gather in advance any information you need to make a decision, and ask a friend or relative to make sure that you stick to a deadline. Warren Buffett prides himself on swiftly making up his mind and acting on it. He calls any unnecessary sitting and thinking "thumb sucking." When people offer him a business or an investment, he says, "I won't talk unless they bring me a price." He gives them an answer on the spot.



# Pearls Of Wisdom 16: There Is More To Life Than Money

Warren does not see money as the only measure of a man's success.

*"When you get to my age, you'll measure your success in life by how many of the people you want to have love you actually do love you. That's the ultimate test of how you've lived your life."*



# Pearls Of Wisdom 17: Never gamble with your money

"Rule No.1: Never lose money. Rule No.2: Never forget rule No.1."

This is a simple lesson that Warren always took seriously. The big investment risks that Warren took during his life were always strongly weighted in his favor thanks to his diligent and meticulous research. Trying to hit a home run with your money every time is a losing proposition with long term consequences. To chase investments that offer a high rate of return you must also assume that it also comes with a higher rate of risk.



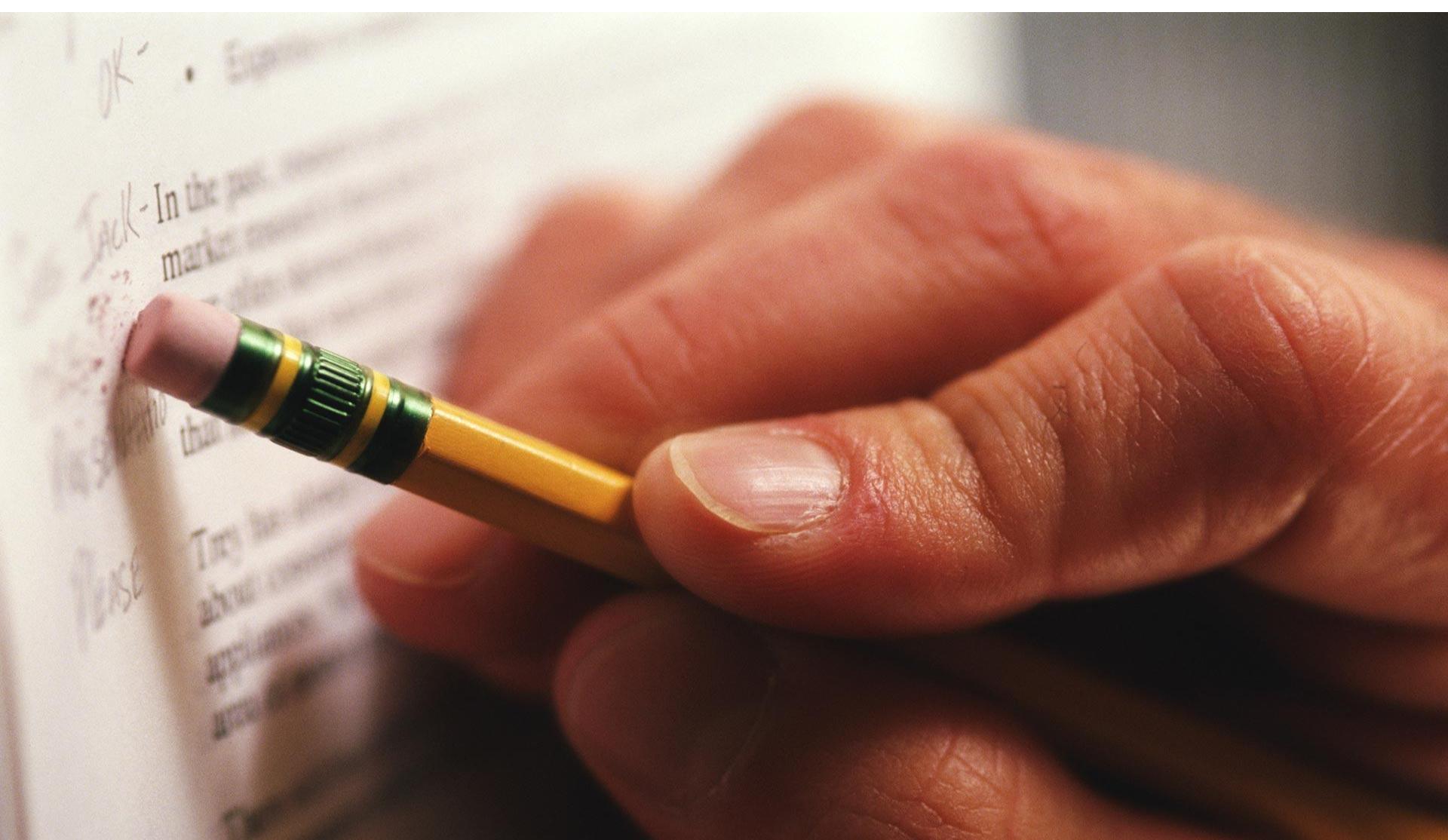
## Pearls Of Wisdom 18: Converse Like a Real Human Being

*"We tend to let our many subsidiaries operate on their own, without our supervising and monitoring them to any degree. That means we are sometimes late in spotting management problems and that both operating and capital decisions are occasionally made with which Charlie and I would have disagreed had we been consulted."* Buffet goes on to share that this hands-off approach creates an "owner oriented attitude" that far outweighs the periodic downside.



# Pearls Of Wisdom 19: Admit Mistakes and Move On

There's something about seeing the big boss fall on his sword that allows everyone to move on. This is quintessential Buffett, turning to self-deprecation as a mechanism to disarm. For startup ventures where course corrections are a way of life, nothing says "we're all in this together" like a senior executive uttering the three words "I was wrong."



# Pearls Of Wisdom 20: The Power of Humor in Business

Buffett recognizes this dynamic and the fact that if he wants to hold the reader over the course of 20 pages, he damn well better entertain as well as inform. But to say that Buffett has honed the art of a sound bite sells him short. He knows how to apply the techniques of compelling storytelling to put forth his position in a way that engages others.



# Pearls Of Wisdom 21: Money Does Not Buy Happiness

*"There's nothing material I want very much."* ~ **Warren Buffett**

There is **nothing material** that Warren Buffett really wants. Instead of trying to purchase things to make himself happy, he has become known for giving his money away, which brings him more happiness than material goods and money. Too many times people think that more money will make them happy. Buffett shows us that this is not the case. Money does not make him happy. He doesn't want material items.



# Pearls Of Wisdom 22: Rich Is A State Of Mind

"I always knew I was going to be rich. I don't think I ever doubted it for a minute." The difference between being poor and being rich is really just a state of mind. Poor people think thoughts of poverty and lack, rich people think thoughts of abundance and prosperity. Your beliefs are going to determine the way you perceive wealth, the decisions you make and the way you act towards it.



# Pearls Of Wisdom 23: Success Is More Than About Your Bank Balance

*When asked by CNBC what is the secret to success, Buffett replied “If people get to my age and they have the people love them that they want to have love them, they’re successful. It doesn’t make any difference if they’ve got a thousand dollars in the bank or a billion dollars in the bank... Success is really doing what you love and doing it well. It’s as simple as that. I’ve never met anyone doing that who doesn’t feel like a success. And I’ve met plenty of people who have not achieved that and whose lives are miserable.”*



# Pearls Of Wisdom 24: Spend Less Than You Earn

*Buffett is famous for living a simple and frugal lifestyle. He is the only billionaire I know that still lives in the same house he bought back in 1958 for \$31,500. He drove a 2001 Lincoln Town Car for years which he bought second hand. Buffett has a net worth in excess of \$52 billion and yet lives off an annual salary of \$100,000. The relative percentage of his spending based on his overall net worth is minuscule.*



# Pearls Of Wisdom 25: Avoid Consumer Debt

Clever marketing has convinced our society that to be happy you have to have more, be more and do more. It is a fool's game to spend today so that you can work tomorrow to pay it off. It is a losing proposition because one day your working days are going to be over but the debt is still going to be hanging over your head. Buffett abhors consumer debt instead choosing to use debt wisely by leveraging it in investments.



## Pearls Of Wisdom 26: Watch Small Expenses

Warren Buffett invests in businesses run by managers who obsess over the tiniest costs. He once acquired a company whose owner counted the sheets in rolls of 500-sheet toilet paper to see if he was being cheated (he was). He also admired a friend who painted only on the side of his office building that faced the road. Exercising vigilance over every expense can make your profits -- and your paycheck -- go much further.



## Pearls Of Wisdom 27: Limit What You Borrow

Living on credit cards and loans won't make you rich. Warren Buffett has never borrowed a significant amount -- not to invest, not for a mortgage. He has gotten many heart-rendering letters from people who thought their borrowing was manageable but became overwhelmed by debt. His advice: Negotiate with creditors to pay what you can. Then, when you're debt-free, work on saving some money that you can use to invest.



## Pearls Of Wisdom 28: The Numbers Don't Lie



Buffet said that he limits contact with the managers of businesses that he invests in, choosing rather to examine the company's financial records. By relying on the numbers he is able to focus on neutral information and prevent outside noise from affecting his decisions.

# Pearls Of Wisdom 29: Always Reinvest Your Profits

Warren Buffett learned from an early age to always reinvest his profits and have his money make more money for him. Warren Buffett saw money as a worker that he controlled. Warren Buffett built his enormous fortune by continually reinvesting his profits over and over again until he got to where he was today. Starting small at a young age, Warren kept on reinvesting the money he made from his businesses into the stock market. He started with nothing and kept on reinvesting his money to make more money until he became what he is today.



## Pearls Of Wisdom 30: Spell Out The Deal Before You Start

Always agree on the specifics of any deal before starting on it. Buffet notes that your bargaining position is greatest before beginning work on a job. So, even with friends and relatives, make sure everyone understands and agrees to the details of the deal in advance.



# Pearls Of Wisdom 31: Be Persistent



With tenacity and ingenuity, you can win against a more established competitor. Warren Buffett acquired the Nebraska Furniture Mart in 1983 because he liked the way its founder, Rose Blumkin, did business. A Russian immigrant, she built the mart from a pawnshop into the largest furniture store in North America. Her strategy was to undersell the big shots, and she was a merciless negotiator. To Warren Buffett, Rose embodied the unwavering courage that makes a winner out of an underdog.

# Pearls Of Wisdom 32: Know When To Quit

Once, when Warren Buffett was a teen, he went to the racetrack. He bet on a race and lost. To recoup his funds, he bet on another race. He lost again, leaving him with close to nothing. He felt sick -- he had squandered nearly a week's earnings. Warren Buffett never repeated that mistake. Know when to walk away from a loss, and don't let anxiety fool you into trying again.



# Pearls Of Wisdom 33: Assess The Risk

In 1995, the employer of Warren Buffett's son, Howie, was accused by the FBI of price-fixing. Warren Buffett advised Howie to imagine the worst-and-bast-case scenarios if he stayed with the company. His son quickly realized that the risks of staying far outweighed any potential gains, and he quit the next day. Asking yourself "and then what?" can help you see all of the possible consequences when you're struggling to make a decision -- and can guide you to the smartest choice.



# Pearls Of Wisdom 34: Know What Success Really Means

Despite his wealth, Warren Buffett does not measure success by dollars. In 2006, he pledged to give away almost his entire fortune to charities, primarily the Bill and Melinda Gates Foundation. He's adamant about not funding monuments to himself -- no Warren Buffett buildings or halls. "I know people who have a lot of money," he says, "and they get testimonial dinners and hospital wings named after them. But the truth is that nobody in the world loves them. When you get to my age, you'll measure your success in life by how many of the people you want to have love you actually do love you. That's the ultimate test of how you've lived your life.



# Pearls Of Wisdom 35: Giving Back to Others

*"If you're in the luckiest 1 per cent of humanity, you owe it to the rest of humanity to think about the other 99 per cent." ~ **Warren Buffett***

Instead of being self absorbed and lost in the money he has acquired and saved, he thinks of others, gives to charity, and funds various philanthropic causes. There is definitely more to Warren Buffett the billionaire than investment advice and knowledge on saving money. While Buffett is no doubt an investing guru and can teach us big lessons in finance, **it is his life lessons that resonate so deeply in our hearts.**



# Pearls Of Wisdom 36: Believe in America

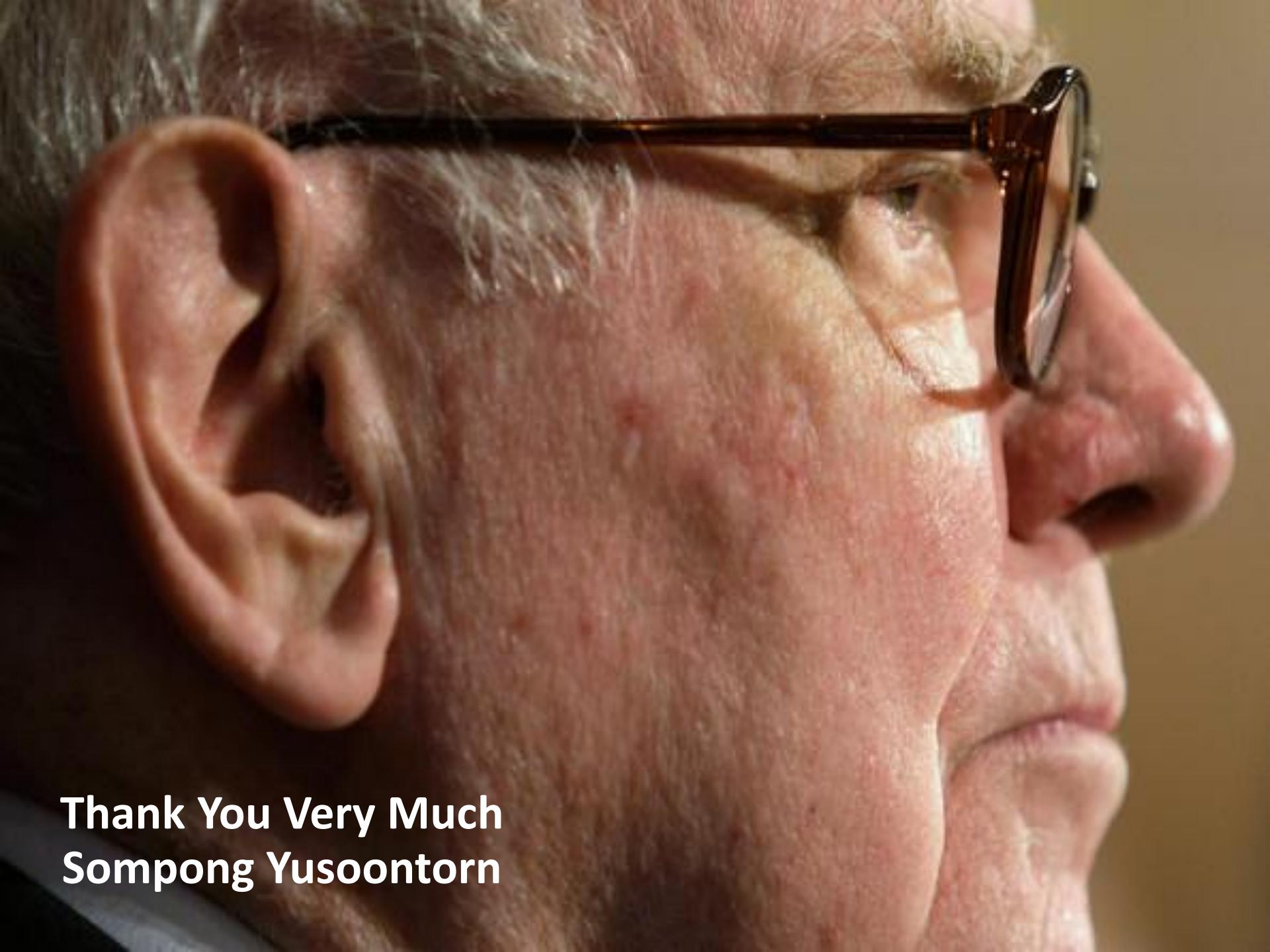
"These businesses will indeed suffer earnings hiccups, as they always have," he wrote. "But most major companies will be setting new profit records five, 10 and 20 years from now."

Unlike most investors, Buffett doesn't tweak his portfolio depending on which party is coming into office or where we are in the economic cycle. This may make him seem naive. But it also has him putting money to work now, when many others have lost faith in the U.S. economic system. It's a move that will likely make him a winner down the road yet again.



We can all stand to learn and be better people from what they are willing to share. They don't charge any money or ask for anything in return. Except of course that we live a life with a burning desire to learn and do all we can to be valuable additions to society. Take these lessons to heart. There will likely not be another Warren for a very long time. Take advantage of the education while you can. Do so and I have a feeling success and fulfillment will come naturally. Thank you Warren. We owe you a great deal.





**Thank You Very Much  
Sompong Yusoontorn**