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Timeless lessons from Warren Buffett

Reflections from Omaha: Six core investment principles

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Mesirow Wealth Management Research Team members were fortunate to attend the Berkshire Hathaway Annual Shareholder Meeting in Omaha, where legendary investor Warren Buffett announced his retirement as CEO at age 94. While the meeting serves as an update on Berkshire, it's also a gathering place for like-minded investors to reinforce the core principles Buffett has championed over his 60+ year career — and yes, to enjoy plenty of $1 Dairy Queen Dilly Bars.

Though Buffett is stepping down, the lessons he's shared are timeless. Market trends may come and go, but his decades-long success underscores the value of consistency and discipline. While Buffett ran a global conglomerate, many of his principles apply directly to personal financial planning.

Buffett famously said the first rule of investing is "don't lose money," and the second is to "never forget the first rule." In his 2010 shareholder letter, he shared a note from his grandfather urging the family to keep enough cash to weather surprises without dipping into investments or taking on debt. Buffett echoed this sentiment, noting that holding lots of cash may slightly lower returns, but "lets us sleep well." This aligns with Mesirow's approach to planning for some retirees, for example, keeping several years of living expenses safe and liquid assets like very short-term Treasury bills to avoid selling long-term investments in down markets. Buffett followed this philosophy himself, leaving Berkshire with over $330 billion in cash — ample protection against uncertainty and a war chest for his successor, Greg Abel.

Here are six more core Buffett principles you can apply to your investment strategy, with links to the original shareholder letters where he discusses these concepts in more detail:

1. Be greedy when others are fearful

This famous quote comes from Buffett's 2004 letter, where he highlights the opportunity that often arises when others panic. During market downturns, prices fall more than fundamentals warrant, creating long-term opportunities.[1]

2. Invest in businesses, not squiggly lines on a chart

Buffett has always viewed stocks as partial ownership in real businesses, not as pieces of paper to be traded based on trends or patterns. In his 1985 letter, he states: "We do not resell our holdings simply because a given security has appreciated or because of our views on the general level of the stock market. Rather, we believe that our business is to invest in businesses with enduring economics and capable management." This approach encourages us to look past day-to-day market noise and instead focus on companies with solid long-term fundamentals, just as we do when selecting investments for your portfolio.[2]

3. Look for companies with an economic moat

A moat is a lasting competitive advantage, a concept Buffett emphasized in his 2007 letter: "A truly great business must have an enduring 'moat' that protects excellent returns on invested capital." We look for such moats to build resilience into your portfolio.[3]

4. Focus on valuation and a margin of safety

Paying too much — even for a great company — can be risky. Buffett learned this from his mentor Benjamin Graham, and he applies it consistently. In the 1992 letter, he writes, "We insist on a margin of safety in our purchase price."[4]

5. A willingness to hold cash

As discussed above, Buffett is often asked why Berkshire holds so much cash. In his 2022 letter, he explains that cash provides flexibility: "We will always hold a boatload of cash and U.S. Treasury bills." It's not idle — it's strategic.[5]

6. Think long-term

Buffett's entire philosophy centers on patience. As he's often said, "Time is the friend of the wonderful business." In the 1988 letter, he describes Coca-Cola as a long-term compounder and outlines why great businesses need time to shine.[6]

The above is just a sample of the many lessons Buffett has taught. These principles don't change with market cycles, nor does our commitment to long-term investing.

If you have questions about how these ideas translate to your portfolio, we're always here to help.

1 https://www.berkshirehathaway.com/letters/2004ltr.pdf

2 https://www.berkshirehathaway.com/letters/1985.html

3 https://www.berkshirehathaway.com/letters/2007ltr.pdf

4 https://www.berkshirehathaway.com/letters/1992.html

5 https://www.berkshirehathaway.com/letters/2022ltr.pdf

6 https://www.berkshirehathaway.com/letters/1988.html