

The wisdom of Warren Buffett

One of Warren Buffett's favorite sayings is "Be fearful when others are greedy, and be greedy when others are fearful." Buffet wants to sell when a company value is high and buy when others are afraid and the value is low.

He became the controlling shareholder of Berkshire Hathaway in 1965. Since 1965, Berkshire's stock has appreciated nearly 600,000 percent versus 7,400 percent for the S&P 500 stock market index, or 81 times better than the S&P 500.

Berkshire Hathaway has averaged a compounded annual gain of 19.8 percent since 1964. Each dollar invested has grown to \$400,863, versus less than \$10,000 if invested in the S&P 500 index. (Source: Warren Buffett's Railroad, found at <http://www.investmentu.com/warren-buffetts-railroad.html>)

During the 2008-2009 stock market crash, when the nation was in a total panic, he invested \$5 billion with Goldman Sachs and got a terrific deal. According to "What Buffett deal says about Goldman Sachs," March 28, 2013, Forbes, Buffett agreed to give Goldman \$5 billion in late September 2008.

In return, Goldman handed over \$5 billion in preferred shares and a warrant that would allow Buffett to purchase an additional \$5 billion in shares at a price of \$115, even though the shares were trading at \$125 at the time, so Buffett was in the money from the beginning.

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Investor Guide

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