

**Effective
financial
decisions**



**Warren
Buffett**
Investor, philanthropist

The most important thing is to decide, *is to be able to define which ones you can come to an intelligent decision on, and which ones are beyond your capacity to evaluate.* You don't have to be right about thousands and thousands of thousands of companies, you only have to be right about a couple.

I met Bill Gates on July 5th, 1991, we were in Seattle and Bill said, "you've got to have a computer," and I said, why? And he said well, he said, "you can do your income tax on it."

I said I don't have any income; Berkshire doesn't pay a dividend. He said, "well you can keep track of your portfolio." I said, I only have one stock. And he says, "it's gonna change everything."



And I said, well will it change whether people chew gum? And he said, well probably not. And I said, will it change what kind of gum they'd shew? And I said, well then, I'll stick to chewing gum and you stick to computers.

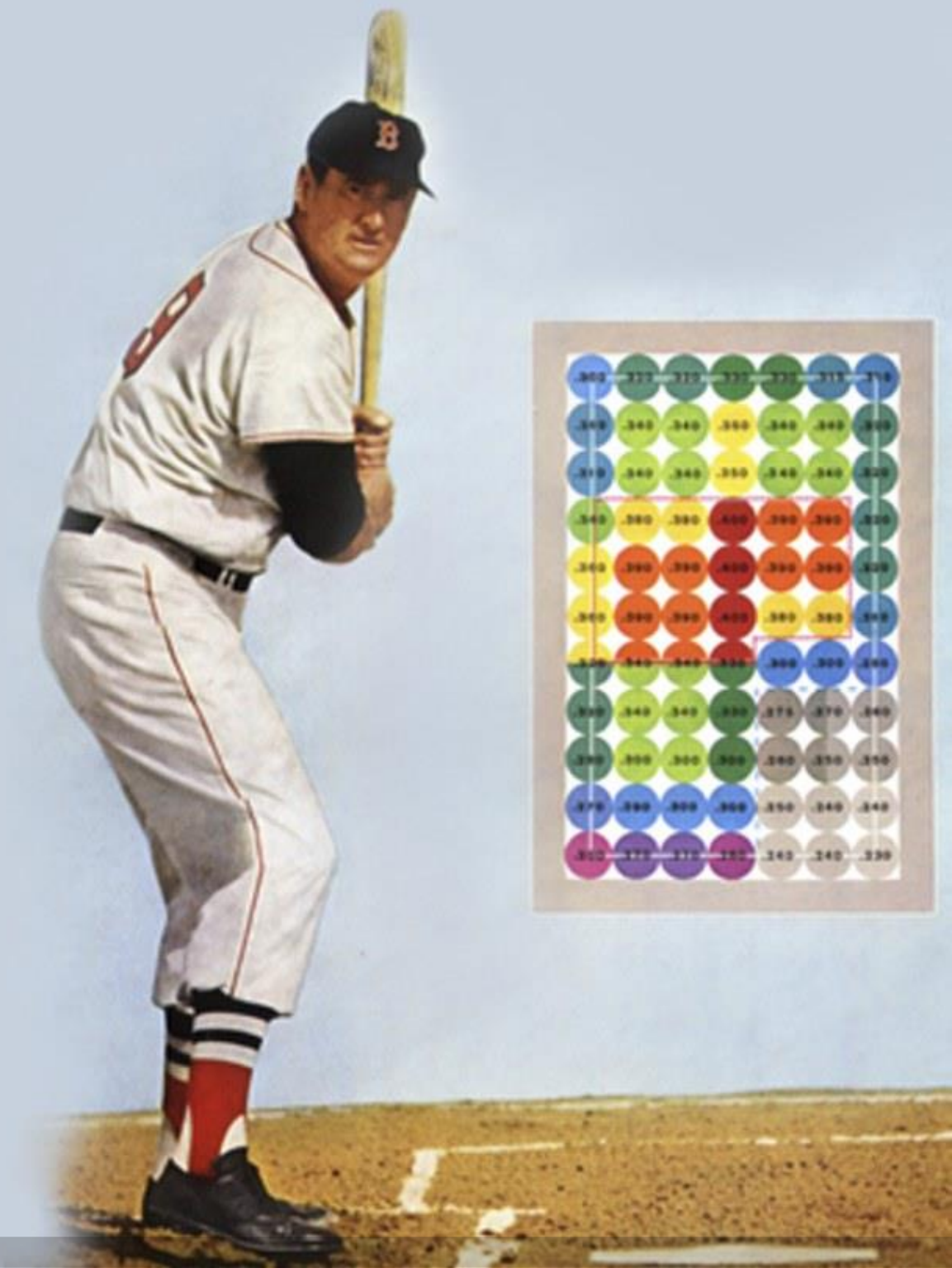
I don't have to understand all kinds of businesses, there's all kinds of business I don't understand. **But there's thousands of opportunities there.**

I did understand The Bank of America you know, and I'm able to do that. I am able to understand some given percentage, but Ted Williams wrote a book called *The Science of Hitting*.



And in *The Science of Hitting*, he's got a diagram, shows him at the plate, and he's got the strike zone divided into 77 squares each the size of a baseball. And he says, if I only swing at pitches in my sweet zone, which he shows there, and he has what his batting average would be which is 400.

If he had to swing at low outside pitches but still in the strike zone, his average would be 230. He said, "**the most important thing in hitting is waiting for the right pitch.**"



Now he was at a disadvantage because if the count was 0 and 2, or 1 & 2, or so on, even if that ball was down where he was only going about 230, he had to swing at it. **In investing there's no called strikes.**

People can throw Microsoft at me, you know, you name it any stock, General Motors and *I don't have to swing*. Yeah, nobody's going call me out on called strikes. I only get a strike call if I swing at a pitch and miss.



So, I can wait there and look at thousands of companies, day-after-day, and *only when I see something I understand*, and *when I like the price at which is selling*, then if I swing, if I hit it fine if I miss, it's a strike.

But it's an enormously advantageous game, and *it's a terrible mistake to think you have to have an opinion on everything.*
You only have to have an opinion on a few things.



In fact, *I've told students* if when they got out of school *they got a punch card with 20 punches on it*, and that's all the investment decisions they got to make in their entire life, **they would get very rich because they would think very hard about each one.**

And you don't need 20 right decisions to get very rich, you know, *four or five will probably do it over time*. So, I don't worry too much about the things I don't understand.

If you understand some of these businesses that are coming along and can spot things, if you can spot an Amazon, for example, I mean, it's a tremendous accomplishment what Jeff Bezos has done.



And, I tip my hat to him, he's a wonderful businessman he's a good guy too. But, **could I have anticipated that he would be the success and ten others wouldn't be?** *I'm not good enough to do that.*

But fortunately, I don't have to. You know, **I don't have to form an opinion on Amazon**, and I did form an opinion on The Bank of America, and I formed an opinion on Coca-Cola.

I mean, Coca-Cola has been around since 1886. There's 1.8 billion, 1.8 billion 8-ounce servings of Coca-Cola products sold every day.



Now, if you take one penny and get one penny extra, that's 18 million dollars a day, and 18 million times 365 is 7 billion 3 less 730 billion or 6 billion 570 million dollars, so annually 6 billion 570 million dollars from one penny. Do you think Coca-Cola is worth a penny more than, you know, Jo's Cola?

I think so. So, you know, and I've got about 127 years of history that would indicate it.



So those are the kind of decisions I like to make, and *you may have an entirely different field of expertise than I would have.*

And probably much more up-to-date in terms of the kind of businesses that we're seeing evolve, and **you can get very rich if you just understand a few of them and understand their future.**



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