



**Date:** March 4, 2024  
**Memo to:** Norris Lake Retirement Planning clients  
**From:** Ted Erhart, CFP®  
**Re:** Buffett's 2024 annual letter to shareholders

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Warren Buffett's annual letter to shareholders was published the last weekend in February. This is a "must read" for anyone who takes investing seriously. The annual letter almost always contains a few golden nuggets of wisdom. This year did not disappoint.

One section of the letter that struck me was Buffett's lesson on the power of not only buying quality businesses but HOLDING them. He used Berkshire's investment in American Express as an example. Berkshire presently owns more than 20% of the company and has held a major position for over 30 years.

Here's an amazing statistic he shared...In 2023, Berkshire's proportional share of the annual net profit generated by American Express now exceeds the total amount of its initial investment. In other words, Berkshire originally invested less than \$1.3 billion in American Express. Now those shares are earning more than that amount EVERY YEAR!

Buffett's point was great businesses are the gift that keep on giving. When you own an asset like that, the best thing to do is NOTHING except hold on and let compounding do its magic.

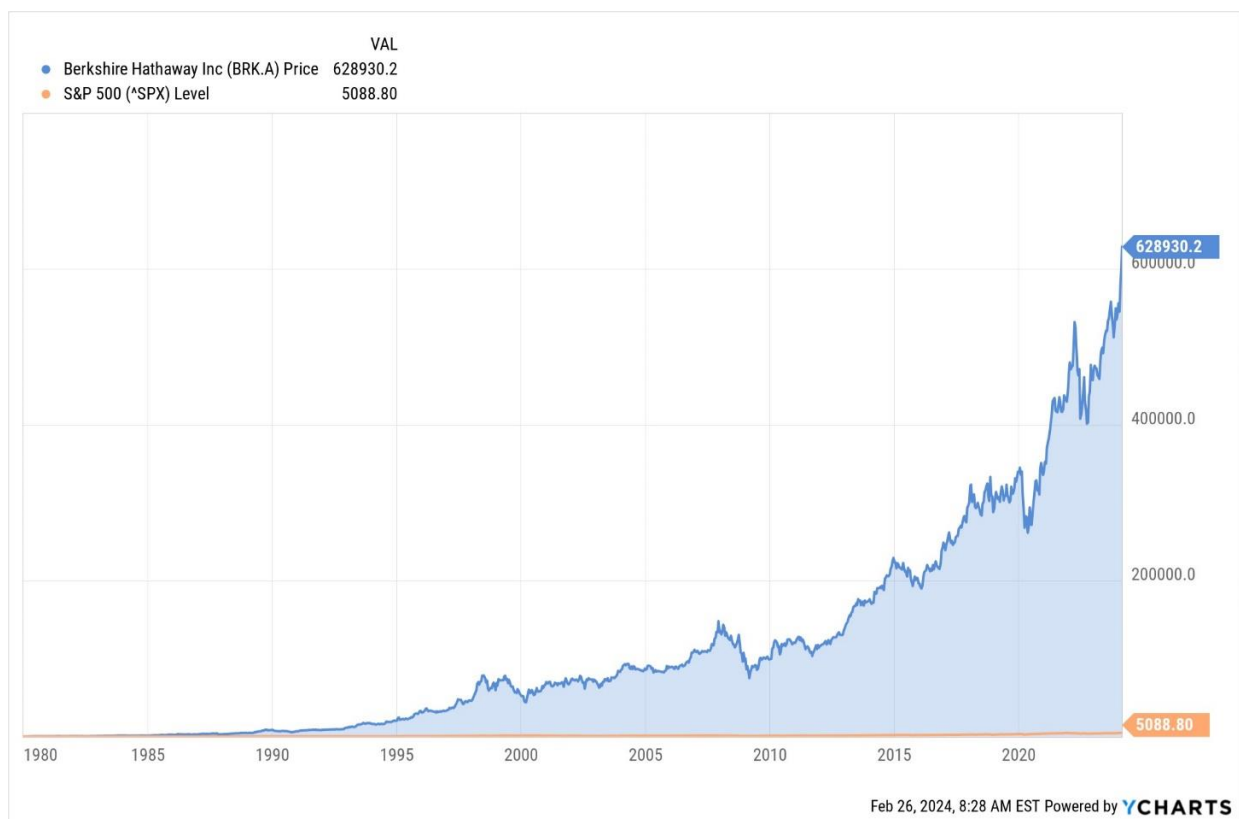
I can't emphasize enough how influential Buffett has been on me as an investor and that I literally put lessons like this into practice when managing portfolios. Holding a good asset can also apply to strategists and 3rd party asset managers such as mutual funds. If you own a great strategy, don't shoot yourself in the foot by trying to be too clever trading in and out. Chances are extremely high you'll end up with much poorer results.

Berkshire Hathaway itself is a good example. If you've ever wondered why Warren Buffett and his late business partner, Charlie Munger, are so revered, just look at Berkshire's stock going back to 1980 when many of you reading this were early in your working careers (chart at the end). Frankly, the numbers are so extreme, the chart doesn't do them justice.

In 1980, Berkshire's A shares could be bought for less than \$1,000 a piece. Today, those same shares are selling for over \$600,000...**EACH!** Put another way, a \$10,000 investment in 1980 would be worth over \$6 million presently!

It's important to emphasize that the fortunate investor that bought Berkshire stock in 1980 has not needed to do anything since except hold on. Any trading during the last 43+ years almost surely would have only detracted from what has been an extraordinary result.

I think this is a timely message as we move through another election season. One of the late Charlie Munger’s quotes that always sticks with me is, “*The first rule of compounding is to never interrupt it unnecessarily.*” Unfortunately for investors, there are always things like elections, wars, emerging technology and so on that generate fear and tempt people to “interrupt” compounding by jumping out of the market. However, remembering Munger’s quote, Buffett’s investment in American Express and the trajectory of Berkshire’s stock can be effective in keeping those natural human instincts, which tend to wreck investment results, in check.



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