

"The Best Advice I Ever Got"

Warren Buffett, Richard Branson, Meg Whitman, A.G. Lafley, and 24 other luminaries on the people who most influenced their business lives.

By Julia Boorstin
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(FORTUNE Magazine) – Warren Buffett, 74

CEO of Berkshire Hathaway

You're right not because others agree with you, but because your facts are right.

"I had two mentors: my dad, Howard Buffett, and Ben Graham. Here were these two guys who I revered and who over the years gave me tons of good advice. But when I think about what they said to me, the truth is, the first thing that comes to mind is bad advice.

"I was not quite 21 when this happened, in 1951, and just getting out of business school at Columbia. I had just taken Ben's class there--and I was the most interested student you ever saw. I wanted to work for Ben at Graham-Newman Corp., and I had famously gone to him and offered to work for nothing. He said no.

"But I still was determined to go into the securities business, and that's where Ben and my dad gave me the bad advice. They both thought it was a bad time to start. One thing on their minds was that the Dow Jones industrials had been above 200 all year, and yet there had never been a year when it didn't sell below 200. So they both said, 'You'll do fine, but this is not a good time to start.'

"Now there's one thing that may have influenced my dad, and maybe Ben too. I was so immature. I was not only young-looking, I was young-acting. I was skinny. My hair looked awful. Maybe their advice was their polite way of saying that before I started selling stocks, I needed to mature a little, or I wasn't going to be successful. But they didn't say that to me; they said the other. Anyway, I didn't pay any attention. I went back to Omaha and started selling securities at my dad's firm, Buffett Falk.

"My dad was a totally independent thinker. I suppose the fact that he was has influenced my own thinking some when it comes to buying stocks. Ben instructed me some there too. He said, 'You're neither right nor wrong because others agree with you. You're right because your facts and reasoning are right.'

"Now, Ben--I started learning from him when I read his books on investing at the University of Nebraska. I had tried all kinds of investing up to then, but what he said, particularly in *The Intelligent Investor*, just lifted the scales from my eyes--things like 'margin of safety' and how to use 'Mr. Market' rather than letting him use you. I then went

to Columbia just to take his class and later got that turndown when I asked him for a job. But I kept thinking about that idea when I went back to Omaha. I kept trying to sell Ben stocks and pestering him, sort of. And finally one day in 1954 I got a letter from him saying something to the effect of the next time you're in New York, I'd like to talk to you about something. I was elated! And I made a point of getting to New York immediately.

"I went to work for Ben in August 1954, without ever having asked what my salary would be. It turned out to be \$12,000, plus the next year I got a \$2,000 bonus. I worked for both parts of the business: Graham- Newman was a regulated investment company, and Newman & Graham Ltd. was what we'd today call a hedge fund. But together they ran only \$12 million!

"Walter Schloss and I--though he left before long to start a hedge fund--worked together in a little room. We had a lot of fun with each other, plus we kept poring through the manuals, looking for cheap stocks. We never went out to visit any companies. Ben thought that would be cheating. And when we found something terrific, Ben would put 50,000 bucks into it.

"By early 1956, Ben was planning to leave the firm to go to California. And I had already decided by then to go back to Omaha. I had a terrible time telling Ben about that: I'd go into his office and come back, and then go in and not do it, for a really long time. But his reaction was kind of the same as my dad would have had: whatever's best for you.

"I had \$9,800 at the end of 1950, and by 1956 I had \$150,000. I figured with that I could live like a king. And I didn't know what I was going to do in Omaha. Maybe go to law school. I did not have a plan. I certainly didn't know I was going to start an investing partnership. But then a couple of months later, seven people wanted me to invest their money for them, and a partnership was the way to do it. And that began it all."