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Hello and welcome to the Dividend Cafe. My name's David Bahnsen. I'm the managing partner at the Bahnsen Group, and I have the distinct privilege of doing the Dividend Cafe every single Friday to come to you and talk about some particular investment or market principle, commentary, opinion lesson, et cetera, and I'm very excited for today because I do believe it is the first time in about eight weeks where I got to sit down this morning and write about what I wanted to write about, and not by just market necessity and conditions of what's happening in the broader economy and the world around us.

I didn't have to talk this week about the trade war, the market turbulence that has resulted from the tariff drama that has been going on now since, mid to late March and that really hit its apex in early April. And as you go back over the last seven, eight weeks, in a Friday Dividend Cafe, there's been a lot of discussion about what President Trump is doing and not doing, and where the trade war is and has moved and on again, off again. This week's Dividend Cafe is going to just simply be a particular topic that I wanna write about that isn't gonna touch President Trump. Tariffs trade, even the pending tax bill.

I believe a lot of those things are coming back in our fray on Monday. Every Monday I'm trying to cover what's going on in the economy, the Fed public policy markets, housing, energy, all of these different topics, and there are things going on right now as I'm talking that will probably be more resolved over the weekend.

So perfect fodder for the Monday Dividend Cafe about the big, beautiful tax bill, but it's a moving target itself right now. So I'm really glad to not be writing about that today and risk having the Dividend Cafe be obsolete by the time it got to you. So I'm wanna talk today about Warren Buffett. And this is not something I've really, I don't think ever talked about in the Dividend Cafe.

I've been a student of Buffett's both his history his investment methodology and philosophy. Even before Buffett, I had read a lot of Ben Graham as a younger man, and Benjamin Graham himself was Warren Buffett's boss at his second job as a young adult and his mentor in value investing.

And so there, there is an element to this that's been very interesting and important to me professionally for a very long time. But that's not exactly the theme I want to get into today. To go write a Dividend Cafe about intrinsic value investing, which is what Graham and then Buffet made famous, I think it would be a little redundant and unhelpful. For one thing, we're dividend growth investors at our firm for another. There the idea of what they do essentially as a methodology that

Graham codified, nearly a hundred years ago of discounting cash flows the future, and finding companies trading at a discount to what that intrinsic discounted value is.

I think that there's no question that Buffet was just extraordinarily good at it, but the methodology itself may not be very interesting to you. And I believe I found. A topic that I think is very important out of the life and legacy and success of Warren Buffet. So I want, the reason now it's been catalyzed into the Dividend Cafe is he announced his pending retirement at the recent annual Berkshire Hathaway meeting in Omaha.

Our own senior equity analyst Liping goes to that conference every year and was there to hear the announcement. But let's be real, he's 94 years old. The markets have known for a very long time that Mr. Buffet would at some point, for whatever reason, not be the CEO of Berkshire Hathaway forever.

But nevertheless, it's a newsworthy event. This is a remarkable person's story, history and investor success. And so I think it's an interesting topic for us here in the Dividend Cafe as to what may be. A couple of these takeaways are, but see, some of them are so are redundant, or at least I should say, not very profound.

In other words, it's information you could get elsewhere. I'm gonna go through a few of those and conclude with my kind of bottom line today, which I believe is a unique perspective on Buffet. That is then really not that much about Buffett and something that I think might be helpful for all of us. For everyone who's an investor, for everyone who's a business leader, for everyone who is an entrepreneur, for everyone who works in an organization, there's some kind of evergreen takeaway here in Buffet that I think is worth noting, and that's what we'll do today in the Dividend Cafe, the easier ones.

First, you know that Warren Buffett was only worth $370 million when he was 52 years old. And he's now 94. Okay, so he's now worth $150 billion. And people could say, I'm not sure that it really matters because how am I gonna accumulate $370 million by age 52? That's certainly true.

It's difficult to do. But let me really make the point that is applicable with a thousand dollars, let alone the 370. I guarantee you that when you hear 370 million went to 150 billion, you're thinking of a number bigger than 15%. In fact, you might even be thinking of a number of 39000%, I think it's 38,900 to be precise because that is the return that the percentage from 370 million, 150 billion, 38900%, but no, it's 15% per year.

It's just simply a story of math. The math that comes from time. That comes from what we call compounding that people talk about all the time, that most people have a very hard time recognizing. It's why. There are people that will tell me, I paid X for my house. I've lived there 30 years, and can you believe it?

It's now worth y and it's a small number at X and a big number at Y. And I go, that's amazing. And I go, by the way, did you know that's 4.5% per year or 6.9% per year? Because the. Percentage return, what we call a cagr. A compound annual growth rate ends up being a lot lower over greater time, which is another way of saying that time helps create a higher total return.

And in Buffet's case, but from age 50 to 90, essentially to round down a little bit 15% is a big number to compound that. But when you go from, a few hundred million to $150 billion and you've as a percentage gone up that much, there's just a simple lesson in the gift of longevity. One of the greatest things Warren Buffet did that was worth tens of billions of dollars to him with stay alive in his eighties and nineties.

Okay now. How do you get 370 million by age 50 for him? He started off as a very young man working at his dad's stock brokerage firm, and he did very well. Principle one of compounding in time does also beg the question of principle two, which is fundamentals. The man earned well and the man saved well, and he invested well, and then that allowed the compounding.

And he had a million bucks by age 30. Now that's a lot of money. In 1955 or whatever the age was, by 1965, he was able to go become a. The lead shareholder in Berkshire Hathaway and used that as a perch from which he would obviously go into hypergrowth of his own business empire. But my point is he was blocking and tackling and he was a smart and very hardworking guy to do so with.

But there isn't anything super sensationalistic. There's no dot com overnight, Bitcoin overnight, just, YouTube influencer nonsensical absurdity story here. This is the blocking and tackling of fundamental wealth accumulation that then puts you in a position to accumulate. But he did so with a great deal of talent.

I don't wanna act like this was simple, but it was very fundamental. It was work hard, earn, save, invest, and then eventually seeing that number. There's a chart@dividendcafe.com that shows that growth over time. But I think most people are aware if they think through it, of the benefit of compounding, the benefit of being 94, and then the compounding of by working and saving early on and all those things.

I. At some point in Buffett's life, this has been talked about a lot. So again, this is also not anything new or profound. He also benefited from a benefit of a self-fulfilling prophecy. There was a self-reinforcing mechanism that Buffett got a premium in his return by being the person who owned the asset, that there was a size, a scale, but also a credibility and authority that by him owning it, it was worth more.

And so he owned it 'cause it thought it had value and then it had value because he owned it. And then there was a value creation process within it. But I don't wanna ignore the just self-fulfilling nature, I think all of us are capable. I. Of time value and compounding by avoiding the interruption of compounding.

I think all of us are capable of fundamentals. Not all of us are capable of the self-fulfilling reality of things get more valuable just because you own them. So let's put that on the table there. And then the fourth thing before I get to my real, grand finale here is a hobby horse of mine.

And yet I think a good opportunity. To make the point that Warren Buffet was a voracious reader, and you go, come on you're saying he read a lot of books and became worth $150 billion. I know. A librarian in my town who isn't worth 30 grand and that person reads all the time. No, I'm saying that reading is a necessary but not sufficient condition of elite.

Knowledge accumulation applied to elite compounding of capital. In other words, the general Mattis had a quote about someone who has not read, hundreds of books as functionally illiterate. And I agree with General Mattis, that there is a lost art of accumulation and knowledge that comes from working the muscle, which is called the brain.

That processes information. Yes, it does take in information. It takes in data and starts a process of analysis. But then what it does is it exercises the muscle to make you better at analysis, better at processing, better at gathering, better at application, and reading history, reading biography, reading philosophy, reading, economics, reading.

Buffett's case, a massive amount of business history, but also corporate reports. The, your typical 10 Qs, 10 Ks, a lot of the analysis that stock research people like us do. But he just read voraciously and I am coming across people on a daily basis that I think are dramatically limited by the fact that they're not readers.

Part of it is the modern technology that people are. Their brain is outta shape for reading because they're so accustomed to video snippets, reels, scrolling, even social media, which is bite sized. But that, but look, I don't want to be in my day. We read books throughout all the human history.

People read books and then got smarter. And I think that there's a lot of benefit in the great books, and I think it's a sad case of higher education. The great books of Western civilization are not promoted the way they are for one's intellectual journey. And I don't mean this just simply in the way I would talk to high school students about important.

It is they be. Great readers. I mean it in the case of Warren Buffet, that it helped make him worth $150 billion and that there are a lot of corporate CEOs that are not readers and it limits them. Now they can be gifted in other things and they could overcome it, but it's a handicap to not be a reader.

That's all I'm saying. And Warren Buffet, I think was a voracious reader. All right, so the time value compounding, the discipline and fundamentals, the self-fulfilment prophecy of buffet being buffet, and then yes, just, the benefit of reading, but it still leads me to what I think is a little bit more contrarian of an observation that I want to conclude with that is the heart of Dividend Cafe today, which is the absolutely unbelievable successful.

Use appreciation of awareness of application of social capital relationship building, harnessing human beings in Warren Buffett's journey. You can say all you want, that he read corporate reports better than others, but to fail to recognize the way in which he tapped into a vast array of resources. The way to fail to recognize that is what all business organizational entrepreneurial success often comes down to is compounding from the benefits out of these additional relationships, networks, resources, connections.

There is an array of talent that nobody. No matter how bright they are, no matter how bright Warren Buffet is, can know all things. The leverage we get out of a diversity of relationships because of different people having diverse skills, people having diverse subject matter expertise, diversity of geography.

Warren Buffett was based in Omaha, Nebraska, and Oma Nebraska is not the financial capital of America, but he was very well networked in New York City. He was very well networked in Silicon Valley. He was very well networked in Los

Angeles, Southern California, in oil area and in insurance industry. And so there's geographical.

Sector diversification that still does not come down to reading in a book or knowing just something about a particular company. The way in which this guy who clearly is far more extroverted than I am, I'm a deeply introverted person, but I really recognize the benefits of how he put together salons, discussion groups, symposiums, they travel together and look not.

Everybody is gonna get a private plane together and put eight muckety mucks on it and go to Bermuda for a weekend to talk about world peace or an economic challenge or whatever the case may be. My point, so he leveraged resources to do it in style. I'm sure do it at a more elite level, but that's not really my point.

My point is the basic connectivity. Human beings because of human action being the fundamental reality of economics, that economics being the study of human action, it starts with this diversity of human skill, ingenuity. God created talent and giftedness that exists, and Buffet's ability to tap into it in a very profound way and building out over time organic.

And doing this very non cynically, it was not transactional, but investing into the relationships and whatnot, that over time built a human resource network for him that became very valuable in his acquisition of Geico and in his, workout through the Solomon Brothers drama of the 1990s.

And in him being the person that folks would tap into when there was need for desperate capital with Bank of America, Goldman Sachs, general Electric, out of the financial crisis. There, there just there's an obvious sense in which Buffett was able to do this in a way. Most people are not, but there's also a less obvious sense in which the exact same principle.

Is a hundred percent true for everybody as an investor, as a leader, as a business entrepreneur the relationships that we build and the investment that we put into these networks, social networks that leverage the giftedness of other humans. The connectivity and resources, these things compound over time the same way the information compounds over time that a reader like buffet can take in and the same way the capital compounds over time because of math.

This is essentially a lesson of compounding, and Buffett was able to do it in a profound way, and I think that investment in these relationships is a wonderful lesson. For us to take in and understanding the ultimate legacy of Warren Buffett. By the way, as I wrap this up, no need to send me emails on things.

We don't like about Warren Buffett. That isn't my point. There's a lot of things I disagree with about Warren Buffett personally and even investment wise. There's a lot of things I've learned from him about it. That's true of all people. But I am here today only to talk about those five things I just brought up.

The fact that there's other things out there that people may like or dislike, is what he said about a tax policy here, a political thing here, other issue there. I'm aware of those things already. I just wanna stick to the matter at hand. There's a lot to be learned in these things. We talked about with Buffett, the longevity time value compounding, the discipline fundamentals, his self-fulfilling prophecy benefit, the really evergreen benefit of being a voracious reader.

And then finally, that trueb revelation and application about human capital, human connections, and investing in relationships that compound over time, I believe not only makes one a better business success and yeah, in his case, made 'em worth the 150 billion. I would argue it makes for more fulfilling lives for all of us.

Thank you as always for listening. And watching and reading the Dividend Cafe. I hope you have a wonderful weekend. I look forward to seeing you Monday, where we get to get back to public policy, tax tariffs, Trump and all the things. In the meantime, have a wonderful weekend and let's go Knicks.