Berkshire
DIVIDEND STRATEGY

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Practice Management Insights

Advisors and Warren Buffett: More in Common Than You Think?

The HBO documentary “Becoming Warren Buffett” is worth viewing.
http://www.hbo.com/documentaries/becoming-warren-buffett

The film goes beyond stocks stories, history and philosophy and focuses on the personal relationships, daily life and mindset of one of the world's richest men. Interviews with his children, spouses, and his friend Bill Gates offer many new insights - some of which are endearing, and some are not. But all of it felt highly relevant, and it got us thinking about how Buffett’s mindset and formula can be used to create opportunity in advisor practices.

We want to highlight 6 concepts in particular:

Focus
WB: During an interview, Buffett and Gates were asked to write down their number one key to success. They both instantly wrote down the word FOCUS. Buffett felt early in his career, he was best off doing only one thing – compounding money.
Advisor Application: Advisors are pulled in many directions, and there will always be more opportunities than time. We find successful advisors tend to narrow the scope of their practice to client areas they can excel at, and prioritize tasks that really move the needle.

Lifelong Learning
WB: Buffett is famous for saying he reads nearly 6 hours a day (or more). He and his partner Charlie Munger are self-described learning machines: They’ve “learned how to learn”. Like investment compounding, knowledge eventually compounds exponentially.
Advisor Application: Commit to not only gathering assets and making good investment decisions, but developing some specialized expertise - something you are known for and can monetize. Don’t bring an expert to your next seminar – BE the expert. Good advisors tend to stay on top of developments in all the key practitioner areas. In our experience, the most successful advisors go a step further and study the industry: trends, new opportunities and innovative ways of reshape a practice. You develop a “sixth sense” and will always be a leader.

Compounding
WB: Buffett talks about compounding and the role of patience. Time is on the side of the business that compounds cash flow year after year- the math gets staggering. In many ways, Buffett attributes his success to simply staying in the game long enough.
Advisor Application: Keeping clients on course so they can benefit from compounding is possibly the most important role of an advisor. Exotic investments, chasing performance or making changes for changes' sake are typically a recipe for poor performance and unhappy clients. A well-constructed investment plan will grow and compound over time. The same holds true for advisor practices – let the assets do the work.

“Fat Pitch” / Sphere of Competence
WB: Buffett reminds us that, unlike baseball (where not swinging can make you strike out), there is no penalty in his business for not taking action. He credits much of his success for all the things he did NOT do.
Advisor Application: Advisors too benefit by keeping the scope of their practice manageable,

Berkshire is a fee-based, SEC registered advisory firm serving the portfolio management needs of high net worth and institutional clients. Over the past 29 years, we have successfully implemented highly focused equity, fixed income and balanced portfolios. Our guiding principle is a belief that success is achieved by combining rigorous, well-crafted investment processes with an exceptional level of client service and attention to detail. Asset Management with a Difference... Diligence, Integrity, and Focus.

Dividend Highlights

- Dividend growth can often provide transparent insight into a company’s fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

especially when it comes to client acquisition. You don't have to chase every client who will say "yes." Be patient and don't try to be all things to all people. Fire clients who don't take your advice, they are silent killers in your practice.

Philanthropy

WB: Buffett chose not to give away money early in his life, because he felt he could give more later by compounding his investment in Berkshire – a very good decision.

Advisor Application: It's amazing what you get when you give back. Many thriving advisors demonstrate value and their personal character by getting involved in philanthropic causes and making a difference. Genuine passion for cause is not only the right thing to do, but provides a superior access vehicle to many target clients.

Personal Relationships/Working with Others

WB: Buffett talked about the need to treat employees and shareholders like partners. Many have been around him for decades. He limits his sphere of people with access and surrounds himself with nothing but the absolute best people.

Advisor Application: The people you work with and for are more than fact sheets and financial plans. Get to know their motivations and history, and treat them like partners in your business venture. Like Buffett, stick to people you know, respect and trust to shape your practice.

Buffett is famous for saying, "it takes a lifetime to build a reputation, but only a second to lose it." The application for this advice is as obvious as it is universal. We can think of no better way to summarize the attitude of the successful advisors we work with.

For more information on Berkshire Dividend Growth Strategy, please contact us.

Best Regards,
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