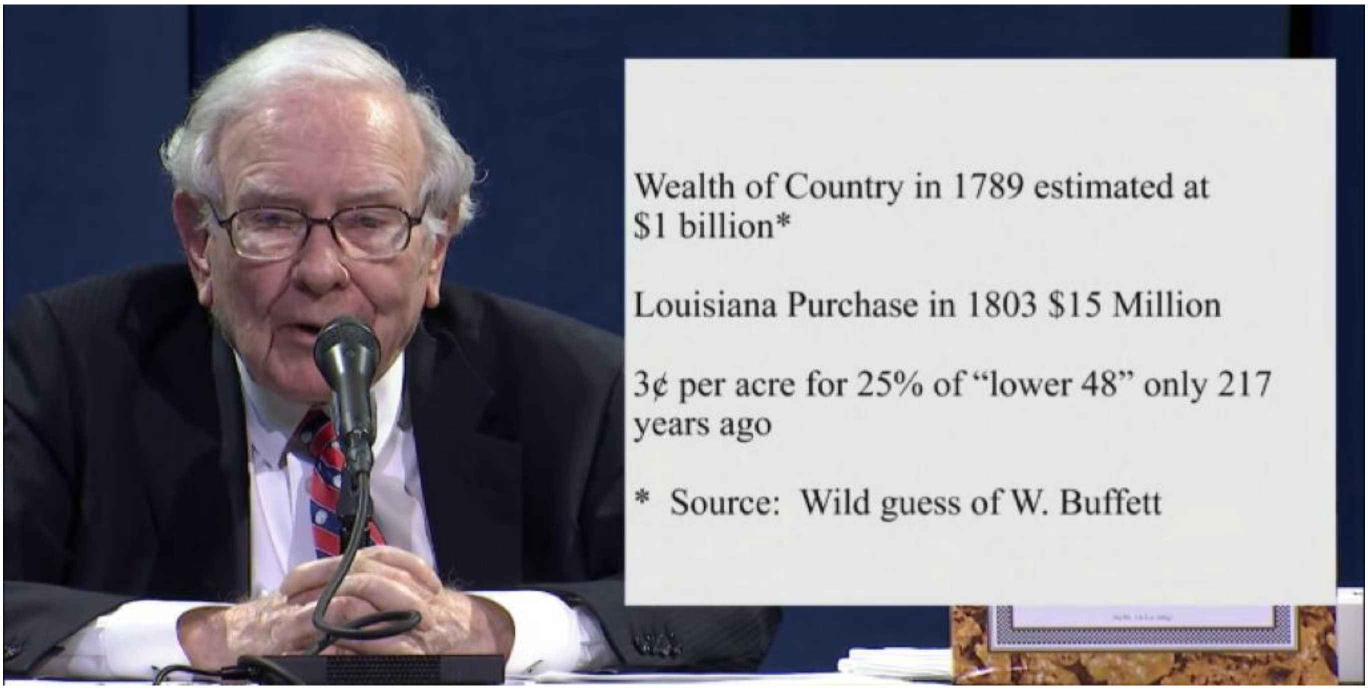
Takeaways From Warren Buffett’s 2020 Berkshire Hathaway Shareholders Meeting

As every year, I enjoyed watching the Berkshire Hathaway Shareholders Meeting. (Here are my live-tweets.)



Warren Buffett giving a history lesson at the beginning. It was longer than usual.

Here is what I learned this year:

Remember that cash has option value

Berkshire currently holds $125 billion in cash. They have not spend any of it this year. First, Buffett seems to be quite cautious and conservative at this point. Second, he seems to wait for truly mouth-watering “no-brainer” deals.

Err on the side of caution

Despite his “Never bet against America” statement, he seems to prepare for the worst case. He pictures a worst case that is even worse than what most people do. What if we are hit with an economic depression, plus some other major events at the same time? After all, *it is possible*.

Intrinsic value descreased

He commented that Berkshire is not more attractive today than it was a few months ago. That means that the intrinsic value decreased. Extrapolating this, it is safe to assume that the intrinsic value of most companies, with some exceptions of couse, decreased.

The importance of sound financial habits

Don’t take on credit card debt, and if you do, pay it back as soon as possible. Often, credit card companies charge 12 to 18 percent interest. That means, if you pay back this debt, you make a risk-free 12 to 18 percent return. A no-brainer.

On buybacks: Companies shouldn’t spend their last dollar doing buybacks. They should always have a strong balance sheet and enough cash to cover unexpected events. Also, companies should only do buybacks when the price is below intrinsic value. Else they destroy value for shareholders.

Personally, he urged us to never by stocks with borrowed money, and to have a very long-term investment horizon. If you don’t buy on margin and only with money you don’t need, nobody can force you to sell.

When you buy stocks, you need to be financially and psychologically prepared to hold them for a long time. A lot of people aren’t.

What we can learn from history

I enjoyed Buffett’s history lesson at the beginning. During the Great Depression, the stock market initially fell 48 percent. Then, it recovered some 20 or 30 percent. People had no idea they were going into an economic depression. Then, it continued falling, for a total loss of 89 percent. The stock market took 20 years to recover.

There are several things we can learn from this: (1) It ain’t over until it’s over. (2) In the long run, the economy will not only be fine, but prosper. (3) Humanity has overcome many difficult challenges in history, and will do so in the future.

Buffett continues to recommend index funds

He disagreed that the age of passive index investing is over. His will still states that 90% of his remaining money will be invested in a S&P 500 index on behalf of his wife.

Watch the full recording

Read my live-tweets from the event.