

KEEN ON RETIREMENT



What We Learned From Attending the Berkshire Hathaway Meeting With Warren Buffett

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: We got another great episode lined up for you today. Hey, everybody Steve Sanduski here, joining me is Bill Keen and Matt Wilson of Keen wealth advisors. Hey, guys.

Bill Keen: Hey Steve great to be back on with you today. Great to have Matt here with us too.

Matt Wilson: Thanks for having me guys.

Steve Sanduski: It is always a treat when you are on the show, and we got a great show lined up today. We are going to talk about the Berkshire Hathaway annual meeting. Matt, I know you attended that really is really an indication of just what you guys are doing in terms of the continuing education and the fact that you guys are continuous learners. Bill, I want you to just start up, take a moment here and just tell us a little bit about what is the philosophy of you and your firm in terms of this idea of just continuous learning.

Bill Keen: I believe that there is no way that at some point in life be done learning. I make it a real point to put myself and our firm around what I will consider some of the best in the world at what we are trying to accomplish for our clients. Steve, this weekend that Matt got to go up to Omaha for the Warren Buffet's meeting. You and I were actually in Newport at a conference very similar to this as well. We were across the country if you will, we were trying to be continuous learners as well at our think tank group there in Newport.

Steve Sanduski: You know Bill I was born and raised in Omaha. Mum and dad still live there, obviously I have fun memories of Omaha. Newport beach that's kind of nice too.

Bill Keen: It was not too bad. Steve it was a little chilly for me, they all knew out there that I

must be not a west coast guy because I showed up with my shorts and short sleeve shirts. It was 55 degrees, you know that?

Steve Sanduski: Yeah.

Bill Keen: But no complaints.

Steve Sanduski: We had a great conference out there, very nice event and definitely hanging around some other really successful people. I just love the fact that you guys are just all about continuous learning. knowing that we don't all have the answers, that we want to continue to learn. How does that translate to your clients Bill? How do your clients benefit from that?

Bill Keen: First, I just want to honor our listeners for taking the time to also be learners or they won't be listening to this podcast right now. One of the core themes of our firm is to educate, it's the reason that we do this show. I believe that for folks to be successful, they need to be educated and engaged in the processes. They hire advisors so that they don't have to rethink this type of thing each an every day. I still believe that they need to be educated and engaged, come to the table at least a couple of times a year, then do things like listen to podcast, go to seminars, go to events, learn, learn the language, learn what's going on out there to be informed investors.

Again honoring the people that are taking the time to listen to our show. I might say they are greatly increasing their own success by being engaged. So many people this day and age especially when you are working they are on out of pilot in their investments and their retirement planning. It's not until we talked about in prior episodes, not until just a few years out the folks start to realize that, at some point the paycheck is going to stop. I'm going to have to navigate making my money rest the rest of my life.

Steve Sanduski: I definitely, think we are. I think you made a good point there and that, it's not what this podcast that we are trying to turn the listeners into financial advisors themselves. Clearly the people that are working with you are saying, I don't want to be an expert in all this stuff, that's why I'm hiring you. I want you to take care of this, I want you to worry about this for me. That's exactly what you folks do there at Keen wealth advisors. Like you say it is important for clients to have an understanding of what's going on, feel comfortable and confident in their financial decisions that they are making. I firmly believe that an educated client makes a better client as well. This is kind of a cooperative type of relationship , the clients needs to understand what's going on and not just completely obligate everything to their financial advisors.

Bill Keen: That's right Steve. We are going to do an episode coming up on how I believe folks should go about selecting a financial advisor. One of the points that I will make and I will make it now is, I always say education. some folks say, what do you mean by that the advisors education? Yes sir, I do mean the advisors education. In one sense

I have a tax advisor, I have a legal advisor. I tell you I want those advisors my position we can go there. I want them to be educated sure, I don't want them to just have the lowest level of education that they need to keep their licenses in place. I want them to be also out in conferences, in think tank groups, I want them out places learning, in evolving and thinking outside the box. On the other hand of it too, I want them to educate me on the things I should be thinking about and understanding about so that my wife and I, my family can make educated decisions along with and partnering with my advisors. I will tell you what, that education going both ways makes a big difference. I might add one more thing, Steve do you think peer groups are important?

Steve Sanduski: Oh, for sure.

Bill Keen: Do you think it makes a difference that if the people you hang around with, that you will rise or fall to those folks in whatever endeavor might be?

Steve Sanduski: I do, I think it was Jim Rohn who said something like, you are the average of the five people you hang around with the most.

Bill Keen: That's right, you know what you told me I believe on our prior episode that, if you are the smartest guy in the room, you better find another room.

Steve Sanduski: Exactly, I didn't originate that idea but I do believe it.

Bill Keen: With all that in mind that's why I was in Newport at our group that weekend. I know that's why you were there too Steve. It's an honor to be both in that community of like minded thinkers. In the same line, that's why Matt here, he is a managing director of Keen Wealth. 15 years here at the firm, a wealth advisor, CFP, very solid gentleman, dedicated to the business, continuous learner, committed to going up to Omaha driving up from Kansas city on that Saturday morning and attending the Berkshire Hathaway annual meeting. Before I have you go into that with him, can I tell you a story do you mind?

Steve Sanduski: Of course.

Bill Keen: We are safe here, right?

Steve Sanduski: We are. We are not recording this.

Bill Keen: All right, good Steve. I don't know, I don't trust you [inaudible 00:08:06].

Steve Sanduski: Okay, we are recording.

Bill Keen: Matt and I and pastor Phillip a friend of ours in pastor are in an accountability group. At the first of the year we made a commitment to each other that we will get up everyday, we will do our devotional reading, and that we will do our exercise. Then we would text each other on a three way group text confirming that

what we had done, so we could hold each other accountable, just that alone it's been a great little accountability exercise, it's been very productive. It's amazing what happens if you take care of yourself spiritually and physically consistently. Saturday morning of the Warren Buffet meeting, I just found this out. Matt decided he didn't want to fall short on his commitment to us, he awoke at 3 am, went out and got his how many miles?

Matt Wilson: I ran for an hour, six to seven miles.

Bill Keen: For him it's probably much longer than me running for an hour. He runs six to seven miles, goes home, takes a shower, gets to Omaha in time to get a good seat before the 8.00 o'clock meeting started. There is a fellow who is pretty committed.

Matt Wilson: While you guys were hanging out in Newport beach that morning it poured, it was raining while I was running. Then of course, on the two and a half to hour drive from Kansas City to Omaha it poured the entire way.

Steve Sanduski: It was worth it, right?

Matt Wilson: It was worth it, that right. I had fun the entire time.

Steve Sanduski: Tell us about you at the Berkshire Hathaway annual meeting. Was this your first time?

Matt Wilson: It was, Warren is 85 years young, his partner Charlie is 92. Not sure how much longer they are going to be around, I figured this is an experience, something that's close enough to Kansas city that I need to take advantage of. I drove up there just that Saturday morning, I left at 5 am got up there about 7.30, It's up in Omaha and Berkshire at the ... Is it the CenturyLink? Is that what it's called now Steve?

Steve Sanduski: Yes. CenturyLink.

Matt Wilson: Yeah, just kind of like the sprint center here in Kansas city. They had 40,000 people this meeting. It's just Buffet and Munger answering questions for I think it was six or seven hours on that Saturday.

Steve Sanduski: It looks like they asked a wide variety of questions, not just financial questions but life questions. What are some of the questions that people were asking that you thought were pretty interesting?

Matt Wilson: One of the first questions was about Warren's age and Charlie's. About why they are still doing this, what makes them happy. That was one of the very first questions that was asked. I thought, these are two guys that are very successful, they've been very consistent I think too throughout their careers in terms of their thought process, their recommendations. They are older gentlemen with a lot of wisdom, I thought this is a great way to kick off that meeting. Buffet at 85 he is happy as he could be, that he gets to do what he loves doing everyday, he eats

what he wants, he works with people that he want to work with. He realized at an early age that he has to be his own boss. He also said that Charlie at 92, he still does something fascinating, rewarding, socially productive as any period in his life and enjoys the partnership. Then Charlie said one of the things people ask him all the time is does he regret anything. He said he doesn't regret making more money, but he regrets not wising up as fast as he could have. He said one of the blessings that he has at 92 is that he has a lot of things to work on.

Steve Sanduski: He is humble, humble guy.

Matt Wilson: Very humble and still long term outlook for the rest of their life's.

Steve Sanduski: What's interesting here, you got 85 and 92, these guys are still working hard yet I don't think either of them would say they are quote working because they are doing what they love. Bill, we've done podcast in the past where we were talking about happiness in retirement, what does retirement mean and the kind of the change in nature of retirement. I think these are a couple interesting guys who are outside ... They are older than the baby boom generation, yet here they are, they are still working, doing what they love. Maybe that's just the key is that you don't have to work in retirement, but you really need to be doing something that gives you enjoyment, pleasure, meaning, satisfaction and ideally some type of social relationships, using your brain to do something so you feel like you get a reason to get up in the morning.

Bill Keen: That's right, as we've talked in the past you've said I think Steve. Don't just retire from something, retire to something. These gentlemen like you say, they don't look at this as work. It's certainly isn't for the money, we know that for a fact. They are not getting up and doing this work for the money at this point of their life's.

Steve Sanduski: Matt, what else, what are some other interesting things they talked about?

Matt Wilson: That actually kind of segues into hearing a question about Coca cola. Many people familiar with Warren Buffet he is a big fan of Coca cola, drinks a lot of it, he is also a large shareholder. The question was interesting because he has in the past spoken about tobacco companies, why he wouldn't invest in them from a moral or ethical standpoint just because of the product that they sell. He said it's a phenomenal business, they have a product that is very inexpensive to make, they make a nice margin on it. It's addictive, he wouldn't invest in it for those moral and ethical reason.

The question then kind of said, considering that Coca cola has come under a lot of scrutiny and especially probably the sugar industry in general about how that can be addictive, with childhood obesity kind of the issues with that. Has his stance on Coca cola changed? His response was that he drinks 700 calories of coca cola a day, he sad it's a choice that he makes, that consume a quarter of his calories from coke. He said the issue is, of course he is not a nutritionist or dietitian or either. He said, the issue is a choice of calories and over consumption, he said the issue is not that

the product is bad but the consumption of too much is what's causing these epidemics from the obesity standpoint.

Steve Sanduski: He doesn't think 700 calories a day of coke is too much?

Bill Keen: We do a disclaimer on that Steve, we are not suggesting that's not our suggestion of Keen wealth advisor. Those are personal. Matt was sharing with me that the entire day, they set up their on stage, drank coke and ate peanut brittle from what was one of the ...

Matt Wilson: See's candy.

Bill Keen: See's candy.

Matt Wilson: They are sitting on the stage, they had a camera crew with some live feeds with some projections. You would just see them, they would just pour coke after coke and be munching on this peanut brittle the entire meeting. He said when it comes to health and longevity he said he truly believes being happy is one of the key components to longevity. He said, I wish I had a twin brother who all he did was eat broccoli, did everything healthy for his entire life. I bet you I would live longer because he would be miserable living that life.

Steve Sanduski: What's interesting about that is I think there is a lot of truth to that. I think research shows that maybe upwards of 40% of your longevity is going to be due just to your genes, just what you were born with, that you can't really change or maybe the other 60% or so are things that you can actually a fact. If you look at just like comedians Bob Hope, Jack Benny some of those guys. they lived along time because they are just laughing 24 hours a day.

Bill Keen: That's right.

Matt Wilson: Yeah, totally agree.

Steve Sanduski: What are some other things, did they talk business at all?

Matt Wilson: They got several questions on just specific segments of their businesses. They are a holding company and they own many companies out right where one of the reasons acquisitions was position which is an engine manufacture in the airline industry. They got questions around that, around the rail road they bought Burlington Northern a few years ago. just what's happening in the energy field with the rail roads. One question they had was about energy and oil prices in general, what their outlook was.

Warren basically said they had no clue what's going to happen to oil prices, they don't even want to make a guess they just focus on businesses that they believe are run well, have their economic mode so to speak, where they have their specific strategy that they can execute on and not worry about the commodity prices.

Warren will answer the question, then he will ask Charlie if he has any comments to make or any additional follow up. On that question, he asked Charlie if he had anything to say. Charlie's response to this one was that, he is even more ignorant than Warren is on the direction of oil prices.

Steve Sanduski: I've even had Buffet say in the past that if the chairman of the federal reserve whispered in his ear what they were going to do with interest rates, whether they are moving them up or moving them down Buffet said it would make no difference whatsoever in his investment plan.

Bill Keen: That's interesting to hear one of the wealthiest man on the planet, it's not that we are by the wealth, it's just you cannot argue with the man's success. He's been successful, his investments consistently for a long time. That's why we study what he does. I believe that we are always open for newer ideas and learning. I also believe you don't have to reinvent the wheel, that you can watch what the most successful people of the world are doing, you can emulate that or learn from that. The idea that he is not jumping around changing his philosophy for anything that's temporary out there or the headline of the day is a reiteration of what we've said many times of our podcast here Steve. I think it's great to bring that point up.

Steve Sanduski: Yeah, it gets right back to the podcast we did on separating the news from the noise.

Bill Keen: That's right, that's exactly right. It's a human tendency to want to respond, to react what do we do about what's happening today. Whatever is happening today not to down play the series and some of the things that are happening. Just wait six months strong possibility that most of it you won't even remember what it was, it would be the new headline of the day. It's always nice to have that reconfirmed by somebody who's been very successful at doing what they are doing.

Steve Sanduski: Bill, you just gave me an opening here. I hope you are ready.

Bill Keen: No, Steve I thought we talked of ... No more of this trying to trip me up here.

Steve Sanduski: You gave me an opening here about Buffet and how he's been successful for so many years. I just happen to have to have some statistics at my finger tip here.

Bill Keen: I have somebody here with me. I don't even need to phone. I can just ... He is right with me in the studio. Can Matt help me that's the question I do have?

Steve Sanduski: Yes he can, for sure. It gets two against one here. I'm in the house because I've got the answer. Let's have a little fun with Mr. Buffet here. We know he's worth billion of dollars, let's look at what was his net worth at various ages. How old was he when he first became a millionaire? When he had his one million dollar net worth how old was he?

Bill Keen: Millionaire, he is 85 now, he was born in what ... was he born in 30?

Steve Sanduski: 1930, yeah.

Bill Keen: Do you want me answer Matt? Each of us answer or ...

Steve Sanduski: You can each give me an answer.

Bill Keen: I'm thinking it's 27 years old.

Matt Wilson: I was going to say 25.

Steve Sanduski: You are close, 30.

Bill Keen: That would have been back at that point

Matt Wilson: 1960.

Bill Keen: 1960, well played.

Steve Sanduski: Good there. This is when he became a millionaire, how about when he became a billionaire, how old was he when he became a billionaire?

Bill Keen: It's just one letter difference but it's quite a [inaudible 00:23:41]

Steve Sanduski: It's a few more zeros.

Bill Keen: That's right. Matt do you want to go first?

Matt Wilson: My thought the number that pops into my head is 57.

Bill Keen: I was going to say 60. I think there was quite a time there that it took him to make that.

Steve Sanduski: You guys are rocking it today, 56.

Bill Keen: Really.

Steve Sanduski: Yeah,56.

Bill Keen: Wow, very nice. Just bring it on.

Steve Sanduski: I'll get you next time. Here is what I think is an important learning here. It took him from age 30 to age 56, he went from one million to one billion, then from 56 to age 85 he went from one billion to approximately 66 billion. Vast majority of his wealth, has come in the past 30 years. I'm not sure that people really understand that. That's the power of compounding, the power of long term investing. I think that's is an important point for all of our listeners. Again one reason why he's been so

successful is he's separated the news from the noise, he's always been thinking long term. I know that financial advisors always talk about, we are going to think about long term don't worry about this five or 10 or 20% drop in the market not one that just happened. I'm just saying overtime we know markets go down, we tend to get a little bit nervous about that. If we take that long term perspective, understand that these things have a way of working themselves out in our country that should help put our minds to ease a bit.

Bill Keen: That's right, think about all of the things in the last 65 years. We've had wars, we've had terrorist attacks, tsunamis, market crisis, financial crisis multiple. So many things that you can't even really recall. He stayed true to his discipline. Steve, I wanted to make sure I share this today, you and I did a blog post recently a few weeks ago. We mentioned Warren Buffet, we also noted sir John Templeton in that blog post. It's a great post I would recommend people go back to, [inaudible 00:26:08] give that get kind of perspective on history of the markets.

I had a couple people say, we can't really relate to that because you are talking about multi multi billionaires. Here we are, we are normal people, we've worked 40 years or so when we retired we have a million or a few million dollars or so, we can't relate to the billionaires story. I understand that, I just want to take a step back and say the disciplines that are in play for I quote normal people that we work with and potential listeners to our program here are the same. It's invest money, make sure you have enough outside the market, outside of volatile accounts, so that the money that you need to live on isn't subject to volatility in the short term. Make sure you are allocated correctly for whatever might come up. Enough growth to provide what you need down the road, inflation. Really just be aware of that and have a plan, actually use volatility as your friend overtime. You will never got to hit exactly right time, Warren Buffet back in the financial crisis made two major investments. Matt was it GE and Goldman Sachs, right?

Matt Wilson: GE and Goldman Sachs.

Bill Keen: Steve I also think didn't he do a little Bank of America too? I think Warren ...

Matt Wilson: He still has them. He mentioned in that meeting that he will convert them to shares.

Bill Keen: Here is my point, I will turn it back to Matt here. My point is even Warren Buffet didn't get the time in exactly right. When he stepped in and helped Goldman and GE for sure I know, that was in November of 08.

Matt Wilson: It was November

Bill Keen: The market didn't bottom until March of 09. His investments everything rebounded he made a ton of money on those investments, he didn't hit the bottom either.

Matt Wilson: He did not.

Bill Keen: It's not that we are trying to say that there are some magic out there timing wise or even the smartest people on the planet. It's just the fact you have a discipline and you look at things from a different, it's all perspective execution and understanding.

Steve Sanduski: I think you made a good point there, Bill as far as when we talk about someone like Warren Buffet or John Templeton, these guys are billionaire investors. It's not that we want our listeners to be focused on the money or the amount of money that people make, it's as you say, it's the principles behind what these people do. It's the long term view that they take, it's amount buying things when we see value, it's about the disciplines that these people have. Everything is relative, for your clients, it's not that we are trying to make them billionaires it's that we want to share with them some of the principles that underlie the most successful people, help use some of those same principles but just on a different scale. With that Matt any final learning from the event that's you want to share as we get ready to wrap up?

Matt Wilson: Again several questions from the crowd that I thought were very interesting. He had one on just the election that's coming up. His take on that, is, it doesn't matter who's going to be president, Berkshire will do fine. He said, we've had 52% tax rates here in the US in corporate businesses in the past. We've gone through that, we've had price controls, we've had regulations and over the last 200 years American businesses has thrived and prospered despite all that.

It's because business adapts to society and society has adapted the business. They both have changed as the environment has changed. He said the US is just a phenomenal place to run a business, you have just the output of American business over his life, he said it's increased six to one over his 85 years that he's been alive. Then over the next 50 years, the output and quality will continue to increase, we will have just so much better standard of living that we have right now. No president can change any of that. He said no one wishes that they were born 50 years earlier if they have the same talents that they have right now. You will never find anyone who just wishes the good old days were true if they really think about it. He said, just look back 20 years and things are just so much different. A business has to be able adapt to that and it has. He left that last comment, he said but I'm still sticking with the land line.

Steve Sanduski: A road redial too probably.

Matt Wilson: That's right.

Bill Keen: He is hanging on the same good old days.

Steve Sanduski: That's awesome. You just have to be optimistic. Not stupidly blindly optimistic but you just have to believe in a brighter future. We all know there are bad times that happen, but over the longer term things do have a way of working out. As humans, particular here in the United States, the type of society that we have and the

government that we have we do have a way of working things out and figuring things out. Bill, why don't we wrap up with you, what are final closing comments for the show today?

Bill Keen: I just want to thank Matt for taking the time to report back to us on his trip up to Omaha that he took copious notes. Steve, I don't know if I told you this. He did run into a billionaire was it Bill Ackman?

Matt Wilson: Bill Ackman.

Bill Keen: Yeah, in a book store got a photo with him, he is a fellow. Steve I'm sure you know, our listeners he is regularly seen on CNBC harassing Carl Icahn back and forth. Matt got a picture with him, got a chat with him for a moment, that was also fun. We are great full to have our show today, have both of you gentlemen here on the podcast. I might just say one last thing, I would recommend that if anyone wants to further learn about the way Warren Buffets thinks, then all of his annual reports are out there online. They are free, no cost to view his reports, to just get inside his head a little bit in his words, to see the evolution of his life and his career.

Steve Sanduski: We will put a link to that in the show note pages. Where also people can get through the blog post that we put together for each episode. Just click right on the link it will take you directly to all of the shareholder reports on the Berkshire Hathaway website. Guys, great as always guys always fun to be talking to you here and sharing some good words that we can help communicate and educate our clients and potential clients out there. Thanks again guys, appreciate it.

Bill Keen: You are best Steve, always a pleasure, thank you Matt.

Matt Wilson: Thank you for having me.