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WARREN BUFFETT’S 10 RULES TO GET RICH

John (Mr. Vintage Value Investing) (https://vintagevalueinvesting.com/author/szramiakje2/) | April 5, 2018 | Superinvestors (https://vintagevalueinvesting.com/category/superinvestors/), Warren Buffett (https://vintagevalueinvesting.com/category/superinvestors/warren-buffett/) | 0 Comments (https://vintagevalueinvesting.com/warren-buffetts-10-rules-to-get-rich/#disqus_thread)

I was in Jimmy John’s the other day grabbing a sandwich for lunch and I noticed something funny.

On one of the walls, there was a plaque with the title “Warren Buffett’s 10 Rules.”

(https://i0.wp.com/vintagevalueinvesting.com/wp-content/uploads/2018/04/Warren-Buffetts-Ten-Rules-Jimmy-Johns-Vintage-Value-Investing.jpg?ssl=1)

Click to enlarge.

At first I thought the manager of my local Jimmy John's was just a huge Warren Buffett (https://vintagevalueinvesting.com/the-4-warren-buffett-stock-investing-principles/) fan. But then I did some research online and I found out that this same plaque can be found in Jimmy John's restaurants all across the country.

Why are these plaques in Jimmy John's? Well, that remains a mystery. As far as I can tell, there is no connection between the restaurants and Berkshire Hathaway (https://vintagevalueinvesting.com/berkshire-hathaway-stock-expensive/) and no connection between founder/owner Jimmy John Liautaud and Warren Buffett.

As it turns out, the 10 rules themselves were not written by anyone from Jimmy John's. Rather, they come from an article by Alice Schroeder (author of the great Warren Buffett biography *The Snowball* (https://amzn.to/2HeNJmo)) called "*10 Ways to Get Rich – Warren Buffett's Secrets that Can Work for You (https://www.cnbc.com/id/26597283)*" which was published in Parade Magazine in 2008.

Without much further ado, here are Warren Buffett's 10 Rules to Get Rich, courtesy of Jimmy John's. I've also included the forward from Alice Schroeder's original article:

With an estimated fortune of $62 billion, Warren Buffett is the richest man in the entire world. In 1962, when he began buying stock in Berkshire Hathaway, a share cost $7.50. Today, Warren Buffett, 78, is Berkshire's chairman and CEO, and one share of the company's class A stock worth close to $119,000. He credits his astonishing success to several key strategies, which he has shared with writer Alice Schroeder. She spent hundreds of hours interviewing the Sage of Omaha for the new authorized biography The Snowball. Here are some of Warren Buffett's money-making secrets — and how they could work for you.

1. REINVEST YOUR PROFITS

When you first make money, you may be tempted to spend it. Don't. Instead, reinvest the profits. Buffett learned this early on. In high school, he and a pal bought a pinball machine to put in a barbershop. With the money they earned, they bought more machines until they had eight in different shops. When the friends sold the venture, Buffett used the proceeds to buy stocks and to start another small business.

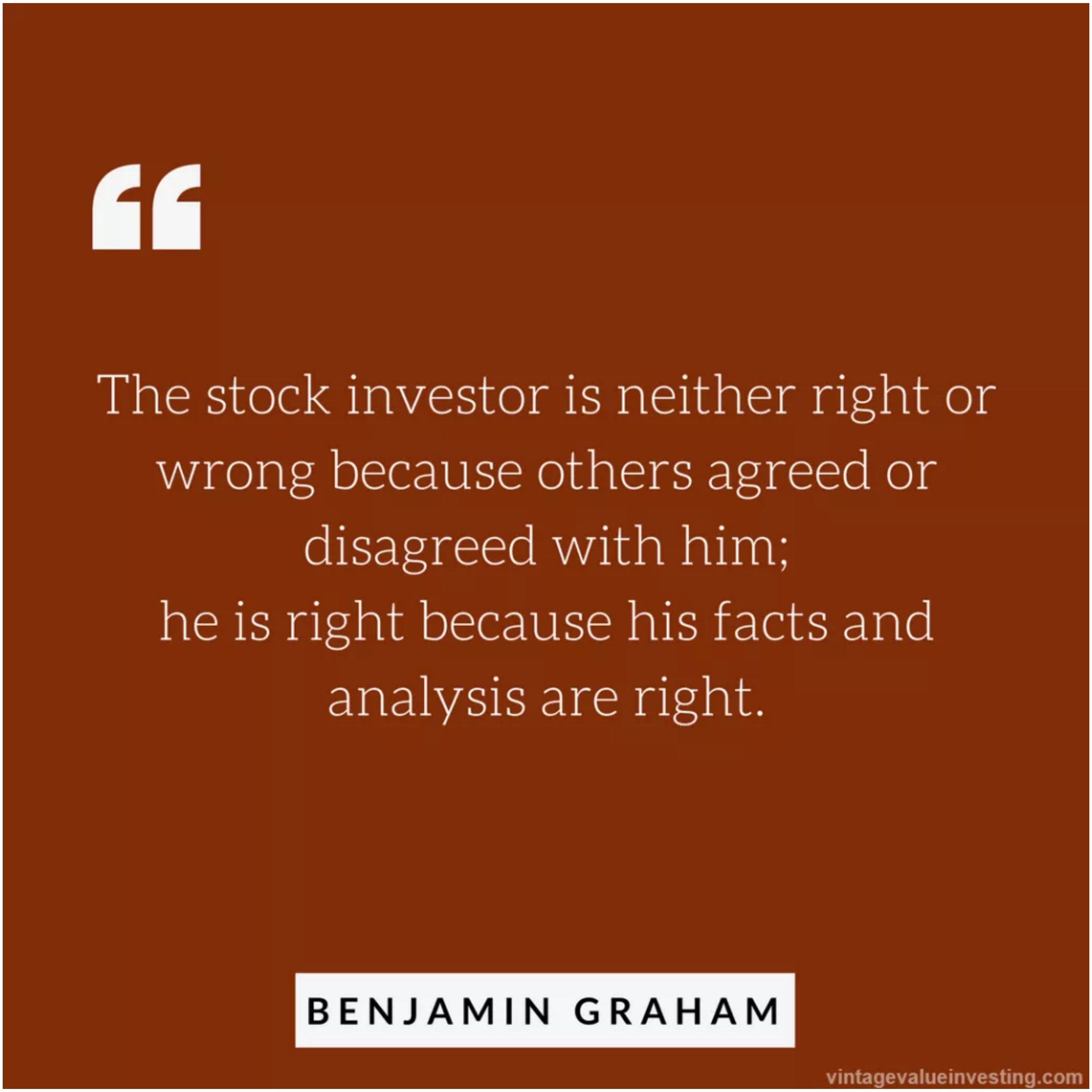
> *Warren knows about the power of compound interest. If you have a $1,000 investment earning 10% per year, that means you're getting paid $100 in cash every 12 months. If you spend that money then it's gone forever and you'll always just be making $100 per year. However, at you can reinvest that money at the same high rate of return, then in Year 2 you will earn 10% on not $1,000 — but on $1,100 — which means you'll be getting paid $110 not $100. This difference increases exponentially over time. If you continue reinvesting your profits, by Year 10 you'll be earning over $235 every year!*
>
> *This is why Berkshire Hathaway doesn't pay a dividend. Warren Buffett knows that he can reinvest that money back into Berkshire's business or acquire other business and earn a higher rate of return than an individual investor would be able to earn if they reinvest their dividend.*

2. BE WILLING TO BE DIFFERENT

Don't base your decisions upon what everyone is saying or doing. When Buffett began managing money in 1956 with $100,000 cobbled together from a handful of investors, he was dubbed an oddball. He worked in Omaha, not on Wall Street, and he refused to tell his partners where he was putting their money. People predicted that he'd fail, but when he closed his partnership 14 years later, it was worth more than $100 million.

> *Ben Graham, the father of value investing, (https://vintagevalueinvesting.com/benjamin-graham-the-father-of-value-investing-and-his-family/) used to say that you're not right if other people*

agree with you — you're right if your facts and analysis are right. You MUST think independently as an investor and this means that at times you must be willing to be different and to stand apart from the crowd. Don't just blindly follow the crowd.



(https://vintagevalueinvesting.com/category/resources/quotes/)

3. NEVER SUCK YOUR THUMB

Gather in advance any information you need to make a decision, and ask a friend or relative to make sure that you stick to a deadline. Buffett prides himself on swiftly making up his mind and acting on it. He calls any unnecessary sitting and thinking "thumb-sucking."

> *When Warren Buffett thinks he has a good idea, he doesn't just test the water (https://vintagevalueinvesting.com/how-to-invest-in-water-like-michael-burry-from-the-big-short/) temperature with his toe; he goes all in. This is very rare in the investment world, in which many individuals will take small positions to track certain stocks or won't allow any one stock to comprise more than 10% – or some other arbitrary percentage – of their total portfolio. Warren Buffett believes that when you're presented with an opportunity, you must go after it with everything that you have. This means you can't waste time – you must act!* ***See: What Warren Buffett Has to Say About Seizing Big Opportunities*** *(https://vintagevalueinvesting.com/what-warren-buffett-has-to-say-about-seizing-big-opportunities/)*

4. SPELL OUT THE DEAL BEFORE YOU START

Your bargaining leverage is always greatest before you begin a job – that's when you have something to offer that the other party wants. Buffett learned this lesson the hard way as a kid, when his grandfather Ernest hired him and a friend to dig out the family grocery store after a blizzard. The boys spent five hours shoveling until they could barely straighten their frozen hands. Afterward, his grandfather gave the pair less than 90 cents to split.

> *Warren Buffett does not negotiate. He is very straightforward with the price he is willing to pay to acquire a company, but he will not go back and forth in*

an attempt to "split the difference." His deals are take it or leave it deals, but he's able to get them done because he always offers a reasonably fair price.

5. WATCH SMALL EXPENSES

Buffett invests in businesses run by managers who obsess over the tiniest costs. He once acquired a company whose owner counted the sheets in rolls of 500-sheet toilet paper to see if he was being cheated (he was). He also admired a friend who painted only the side of his office building that faced the road.

There is a funny anecdote about Warren Buffett and his good friend Bill Gates (https://vintagevalueinvesting.com/the-bill-gates-summer-reading-list-books/) — the two richest people in the entire world — when they were visiting China together in 2010. It was lunchtime, and Warren and Bill were hungry, so they decided to grab a bite at McDonald's. After they got through the line and placed their order, it became time to pay. Bill Gates reached into his wallet but Warren Buffett stopped him saying, "Bill, don't worry this one's on me," and proceeded to pull out a stack of coupons that he had brought with him from Omaha!

Don't waste money! There is a big difference between being cheap or stingy (i.e. not being willing to open your pursestrings to pay for anything) and being frugal (i.e. saving money in smart ways wherever possible and never paying more than the value you're receiving in return – ***See: What is Value Investing? (https://vintagevalueinvesting.com/what-is-value-investing/)***).

6. LIMIT WHAT YOU BORROW

Buffett has never borrowed a significant amount — not to invest, not for a mortgage. He has gotten many heart-rending letters from people who thought their borrowing was manageable but became overwhelmed by debt. His advice: Negotiate with creditors to pay what you can. Then, when you're debt-free, work on saving some money that you can use to invest.

> *Warren Buffett is a risk-averse guy and he often says that he never wants to be in a position where he or Berkshire Hathaway is relying on someone else for financial support. In fact, Berkshire's rock solid financial stability and cash reserves allows Warren Buffett to be highly opportunistic during market declines – as happened in 2008 when Berkshire made big, life-saving loans (and very juicy investments) in institutions like Harley Davidson, Goldman Sachs, and General Electric.*

7. BE PERSISTENT

With tenacity and ingenuity, you can win against a more established competitor. Buffett acquired the Nebraska Furniture Mart in 1983 because he liked the way its founder, Rose Blumkin, did business. A Russian immigrant, she built the mart from a pawnshop into the largest furniture store in North America. Her strategy was to undersell the big shots, and she was a merciless negotiator.

> *Warren Buffett's right-hand man, Charlie Munger (https://vintagevalueinvesting.com/the-10-best-charlie-munger-quotes/), has a good definition of assiduity: "it means sitting on your ass until you do it." Not much more to say on this matter. You'll face hard knocks and tough times in life. You just need to remain persistent and continue to grind through it.*

8. KNOW WHEN TO QUIT

Once, when Buffett was a teen, he went to the racetrack. He bet on a race and lost. To recoup his funds, he bet on another race. He lost again, leaving him with close to nothing. He felt sick — he had squandered nearly a week's earnings. Buffett never repeated that mistake.

> *Remember: You don't need to make it back the way you lost it. If you realize that your original investment thesis for a particular stock is broken, then it's time to sell it and call it quits. Find the next best investment opportunity and put your money in that. In Silicon Valley, many start-ups' claim the motto: Fail fast. This means that if you ARE going to fail, you'd do better to recognize it quickly, learn something from it, and move on.*

9. ASSESS THE RISKS

In 1995, the employer of Buffett's son, Howie, was accused by the FBI of price-fixing. Buffett advised Howie to imagine the worst- and best-case scenarios if he stayed with the company. His son quickly realized that the risks of staying far outweighed any potential gains, and he quit the next day.

> *Warren Buffett judges risk very differently from most of the rest of the investment world. On Wall Street and MBA classrooms across the country, risk is often synonymous with volatility. Buffett disagrees. Buffett says that risk is simply the probability of losing your initial investment. And it's not something that you can mitigate through diversification, options, or other portfolio management strategy. For Buffett, the assumption of risk is a binary decision. It's a go or no-go choice. If there is risk, then Buffett stays away.*
> ***See: How Warren Buffett Thinks About Risk (https://vintagevalueinvesting.com/the-10-best-charlie-munger-quotes/)***

10. KNOW WHAT SUCCESS REALLY MEANS

Despite his wealth, Buffett does not measure success by dollars. In 2006, he pledged to give away almost his entire fortune to charities, primarily the Bill and Melinda Gates Foundation. He's adamant about not funding monuments to himself – no Warren Buffett buildings or halls. "When you get to my age, you'll measure your success in life by how many of the people you want to have love you actually do love you. That's the ultimate test of how you've lived your life."

> *Enough said. There are no rich people in the cemetery. A person who is wealthy in friends and relationships can be richer than the person with the most money in the world.* ***See: Warren Buffett's and Charlie Munger's Top 7 Tips for the Class of 2017 (https://vintagevalueinvesting.com/the-10-best-charlie-munger-quotes/)***

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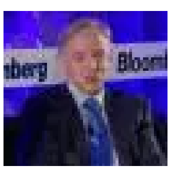

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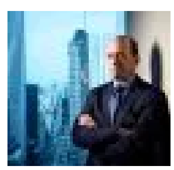

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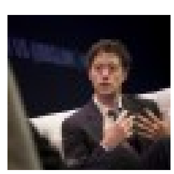

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