

# Takeaways from Warren Buffett's Annual Letter

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Each year, the investment community eagerly awaits Warren Buffett's annual letter, an industry staple brimming with both worldly and investment wisdom. Since 1964, Berkshire Hathaway has delivered an astounding overall gain of **5,502,284%** to investors. In comparison, the S&P 500, including dividends, has returned **39,054%** over the same period.

If there was ever proof that compounding is the most powerful force in the universe, as Albert Einstein famously declared, this 60-year comparison between Berkshire's gains and those of the S&P 500 is it.

### **Berkshire's Performance vs. the S&P 500**

Compounded Annual Gain – 1965-2024 .....	19.9%	10.4%
Overall Gain – 1964-2024 .....	5,502,284%	39,054%

Source: Berkshire Hathaway

Buffett's latest annual letter, published on Saturday, February 22nd, signals that the legendary investor may soon hand over the reins to his successor, Greg Abel. While this transition looms, Buffett's letters will remain a treasure trove of timeless investment wisdom. Below are three key takeaways.

Click [here](#) to read Buffet's annual shareholder letter in its entirety.

### **Embrace Mistakes, But Correct Them Quickly**

- Buffett acknowledges that he has made many mistakes in capital allocation, acquisitions, and personnel decisions. However, he emphasizes that the biggest mistake is not acting decisively to correct errors. His longtime business partner, the late Charlie Munger, called this hesitation "thumb-sucking" and warned against delaying necessary changes.
- Unlike many large corporations that rarely admit mistakes, Buffett sees transparency and accountability as essential. He even notes that some public company boards avoid using words like "mistake" or "wrong," a practice he finds dangerous.
- Buffett's key lesson is that mistakes are inevitable in business and investing. What separates successful leaders and investors from the rest is their ability to recognize and rectify errors without ego or delay.

### **Bet on Exceptional People, Not Just Credentials**

- Buffett highlights the remarkable story of Pete Liegl, a self-made entrepreneur with no prestigious educational background, who built a highly successful business and contributed billions to Berkshire's wealth.
- He dismisses the notion that elite education is a prerequisite for great leadership, citing examples like retailing genius Ben Rosner, who never went past sixth grade.
- Instead of relying on academic pedigree, Buffett values innate talent, integrity, and a deep understanding of business fundamentals. He believes in giving great managers autonomy

and rewarding them based on performance rather than rigid compensation structures.

- This wisdom underscores the importance of identifying and backing outstanding individuals who demonstrate business acumen, drive, and trustworthiness—regardless of prior credentials.

## Think Long-Term and Let Compounding Work Its Magic

- Buffett's approach to investing and business ownership is centered on long-term thinking. He contrasts Berkshire's strategy of reinvesting earnings for decades with companies that focus on short-term gains or frequent dividends.
- Berkshire's massive success was built on continuous reinvestment and the compounding effect over time. Buffett illustrates this with the company's historic tax payments: despite its early struggles, Berkshire now pays more in corporate taxes than any company in U.S. history, thanks to patient capital allocation.
- He reinforces his faith in American capitalism, arguing that while the system has flaws, it has produced unparalleled economic growth. He believes that well-deployed capital and a culture of saving are the engines of prosperity.
- Buffett's advice for investors: Stay invested in high-quality businesses, think in decades rather than quarters, and allow compounding to do the heavy lifting.

## Final Thoughts

Buffett's annual letter boils down to three fundamental principles:

? **Embrace mistakes but fix them quickly.**

? **Invest in people, not just résumés.**

? **Play the long game and trust the power of compounding.**

These principles have guided Berkshire Hathaway's success and remain timeless lessons for investors, business leaders, and decision-makers alike.

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