



The Rational Walk @rationalwalk

Aug 30 · 17 tweets · [rationalwalk/status/1564618381512302597](https://twitter.com/rationalwalk/status/1564618381512302597)



Warren Buffett makes investing sound simple and easy.

But he is highly unusual in several ways:

- 1) High degree of numeracy
- 2) Extremely high intelligence
- 3) Long-term outlook
- 4) Exceptionally calm temperament
- 5) Sense of integrity

Let's briefly explore these attributes.

1/

Buffett's numeracy has been exceptional since childhood. He automatically thinks in terms of numbers and has the ability to recall data from memory. This is obvious listening to him rattle off numbers on Berkshire subsidiaries at annual meetings.

2/

Buffett also automatically recognizes exponential functions. Most people think in linear terms. Buffett has internalized compounding which is not a complex mathematical formula but often difficult to know when to apply it.

3/

Most of us can recall key figures but have to look up a lot of data. Buffett already has this in his memory. If you ask Buffett about last quarter's revenue at Pampered Chef (a very small BRK subsidiary), I bet he could tell you instantly.

4/

But numeracy alone is not sufficient.

You need to combine numeracy with high intelligence.

Buffett says that you don't need a sky high IQ to do well investing, and that might be true, but bear in mind that Buffett HAS a sky high IQ.

5/

Being told that you don't need a high IQ by a guy with a sky high IQ is like being told by Tom Brady that playing quarterback in the NFL is not all that hard.

Buffett's extreme numeracy and intelligence is like seeing the world in 3D while the rest of us see it in 2D.

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There are lots of highly numerate people with a high level of intelligence who blow up in business all the time. It is VERY common.

But Buffett also thinks in terms of decades while most investors have trouble even thinking in terms of years vs. months.

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So when Buffett spots opportunities, he thinks in terms of exponential growth that compounds over decades, not in terms of next quarter's earnings or a stock price chart. This is an enormous advantage.

Numeracy, intelligence, and a long-term outlook. All key elements.

8/

You can have a high degree of numeracy, a sky high IQ, and try to think long-term, but your temperament can still hinder your progress and make all of those other advantages useless.

Buffett has an exceptionally calm temperament. He doesn't get rattled.

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HOW does Buffett have such a calm temperament? Can temperament be modified?

I think much of it is innate in his personality, but you can stack the deck in your favor by handling your financial affairs so that short-term vicissitudes can't kill you.

10/

Buffett might be calm due to his innate personality, but he is also calm because he has a hundred billion dollars of cash and treasury bills at Berkshire.

He's always been like that, although at smaller scale.

11/

“Never risk what you have and need for what you don’t have and don’t need.”

— Warren Buffett

12/

Integrity.

Buffett never compromises on this and over time his reputation has opened up an enormous number of doors. Think about how much money Buffett has made over a long lifetime b/c his counterparts knew he could be trusted.

13/

You could have all of the other attributes: numeracy, high intelligence, long-term outlook, and a calm temperament, but if you're a sociopath, eventually doors will be shut in your face curtailing your opportunities. It is also a crappy way to live.

14/

Buffett's prescription for doing well seems simple but not easy.

Most people can't come close to Buffett's numeracy and intelligence. And our culture make having the right temperament and a long-term outlook difficult. Integrity is very rare in the business world.

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Buffett is someone to emulate but with recognition that he is very unusual and has off the charts advantages.

The good news is that even falling well short of Buffett's abilities, following his example is likely to yield results that are far better than average.

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For more on Buffett and Berkshire, I've created a Berkshire Hathaway resource page with links to over a decade of articles:



Berkshire Hathaway Resources

Berkshire Hathaway Resources The corporate identity of Berkshire Hathaway will always be inextricably linked to the remarkable career and investment track record of Warren Buffett. Mr. Buffett's tenu...

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Thanks for reading.

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