

2023 BERKSHIRE HATHAWAY ANNUAL SHAREHOLDER'S MEETING
May 6, 2023

Marvin Blum: Hello, I'm Marvin Blum, an estate planning lawyer from Fort Worth, Texas, home to many of your companies. In fact, Warren, I met you at the memorial for our beloved Paul Andrews, who was manager of TTI. I'd like to get your thoughts on a widespread problem in the world of Estate Planning, and that's the failure of most parents to prepare the next generation for the inheritance coming their way. In particular, if the estate includes a family business, most parents fail to do business succession planning to plan for who will run the business on the day when, not if, the founder is no longer there to run it.

The kids aren't prepared, unlike King Charles (the other King Charles, not "King Charlie" Munger), who has been preparing for his job as King of England now for more than 70 years. I sometimes describe the situation like this, picture a football game. At one end of the field is a quarterback. He has great skills. He throws a beautiful pass to the other end of the field. And at the other end of the field are the receivers. They've never been to a practice. They don't know the rules of the game. They don't know how to work together as a team. They're clueless. So, the quarterback is the patriarch and the matriarch, the football is the inheritance or the family business, and the receivers are the kids. What are the odds that they're going to catch the football and go score a touchdown? Probably, only around 10%...

Warren Buffett: [interrupting] I've got the picture. [applause] I've probably observed as many—just because of my age and to some extent because of things like the Giving Pledge—I've probably observed as many particularly wealthy families, the problems (and they are all very particular to the family).

And in my family, I do not sign a Will until my three children have read it, understand it, and made suggestions. Now, my children are in their 60's and that would not have been a great success if I'd done the same things in their 20's. It depends on the family, it depends on how the kids feel about each other—all kinds of things. It depends on the kind of business you have, so there's a thousand variables. But I do think that if the children are grown, and when the Will is read to them, [if] it's the first they've heard about what the deceased thought about things, the parents have made a terrible mistake. And, people, well, I've run into all kinds of situations, and some people don't tell their children anything and some of them try and get them to bend to their will by using their own personal Will. They make a million mistakes, and that's one you don't get to correct. Certainly, in my... well, Charlie's had a lot of experience too with it.

Charlie Munger: Well, at Berkshire we have a simple problem of estate planning. Just hold the goddamn stock. [laughter]

Warren Buffett: Well, but that doesn't fit everybody, Charlie. I mean, you know...

Charlie Munger: No, it only fits 95%. [laughter]

Warren Buffett: I don't know necessarily whether if you have billions of dollars you want to leave it all to your children. I mean that's something...

Charlie Munger: [interrupting] Well, that's another question, but if you're going to place it somewhere, I'd just as soon have Berkshire stock as....

Warren Buffett: [interrupting] Oh, you're solving the investment problem for them...

Charlie Munger: [interrupting] Yes, yes.

Warren Buffett: [continuing] but you've got the personal problem of the fact that when they were 4, one of the kids pulled the other kid's cat's tail or something like that. I mean, you're dealing with human beings, and the biggest thing you want is you want your children to get along. I mean, you want that all through your life, and the estate isn't the only place where you can mess that up.

But it's a place where...it's a very easy... I mean, I know a number of cases where the people did not know what was in the Will where there were huge sums involved, and within about 15 minutes each one of them had a lawyer, and they don't get along since. It's important to handle it right. And it is important if you want your kids to have a certain value—certain values, it's important that you live those values. It's important that you talk about them to them. They're learning from you from the day they're born what you're really like. And don't think that a cleverly drawn Will will substitute for your own behavior in teaching your kids the values you hope that they will have. And then your Will should be in conjunction with that. It should start expressing, and as they grow older, they learn to pass on their values in connection with the size of the estate. If there's a family farm, it's one thing. If it's a bunch of marketable securities, it's something else.

But I know one instance by a particularly rich fellow, that once a year, he'd get his kids together and have a dinner and do all kinds of things to get them to sign their income tax returns in blank. He really didn't want them to know how much money they had and everything. Well, that isn't going to work.

But as Charlie and I have said it, if you want to figure out how you're going to live your life, you write your obituary and reverse engineer it.

Paul Andrews, incidentally, who you mentioned at TTI, lived as great a life as anybody I've known. He thought about these problems, and he came to me. He was 61, I think. Had all the money way beyond what he needed. Didn't care about it. He'd like to give it to people. He had all kinds of things he wanted to do, and he said, "For a year, I've been worried about my business, TTI." And he said, "I've got all the money I need. The family's got all the money they need, but what do I do with the business? These people have helped me throughout my life." He says, "I can sell it to a competitor. If I sold it to a competitor, they'd fire my people and keep their people when they put it together. If I sell it to a private equity firm or something, they'll be figuring their exit strategy as they sign the papers." And he said, "I've been thinking about it a year." And he said, "Listen, it's not that you're such a great guy." [laughter] He said, "You're the only one left." And we bought it [TTI], and we lived happily ever after. **[Paul Andrews] was a man that knew what life was about.**