

## Sage Advice From The “Oracle of Omaha”

You may or may not be a fan of “March Madness”, the NCAA Men’s Basketball Tournament. Chances are, however, you did hear something in the last month about Warren Buffett and Quicken Loans offering a \$1 billion prize for someone who could correctly predict the winner of every game during the tournament. As you might guess, it got a lot of press. During one interview on the Dan Patrick show he was asked, “What’s the biggest mistake we make when it comes to money?”. The “Oracle’s” response was simple, insightful and disarming.

### Simple Is Not Always Easy

Last month we discussed the wisdom of investing in ownership interests for the long haul. A simple idea, but you have to be willing to ride out the ups and downs, not an easy thing. Warren Buffett’s answer is also simple: “Well, I think the biggest mistake is not learning the habits of saving properly early. Because saving is a habit. And then, trying to get rich quick. It’s pretty easy to get well-to-do slowly. But it’s not easy to get rich quick.” I see.....save and be patient, now there’s something that comes naturally for us Americans (;-)! Do you sense a theme beginning here?

### Just Get The Ball Rolling

Funny how so many things in life depend on just getting started, sticking to it and ramping up over a long period of time. Of course the best way to get started is at work. Have the retirement plan there take money out before you see it (and before it gets taxed). Most employers even sweeten the pot by matching some portion of what you put in. Once you have that in place, consider having your bank automatically move money from your checking account to a savings account each month. This will put money away for emergency repairs, medical costs, even family emergencies requiring travel. These simple steps allow regular, relatively small (but consistent) dollars to make a big difference over time.

### Beware of “Negative Savings”

Credit cards often become the chief reason people can’t seem to get a head. Once you carry a balance over from one month to the next, this valuable tool becomes a weight around your neck. The fees and interest paid for these balances is akin to self-imposed financial slavery. Warren’s comments about “*saving properly early*” are especially true when it comes to the discipline of paying the full balance due on every card, every month. When you do, watch how careful you become about buying something with a credit card. Remember, keep heading forward in your finances a little bit every day. If a decision is going to take you back a step, be sure to consider that step carefully.

### Ownership Interests

In the last issue the wisdom of acquiring ownership interests in real estate, stocks, partnerships or perhaps your own business were explored. The retirement plan mentioned above is one

good place. Home ownership is another excellent example. You can also easily set up a monthly process where money is automatically sent from your checking account to any of a variety of investments for as low as \$50 per month. For the price of a meal for two at a family restaurant, you can begin a long term process to become as Warren puts it "**well-to-do slowly**". While this might not make anyone "rich", the process will have a meaningful effect over time.

### **Siren Song**

Greek and Roman mythology describe beautiful creatures with beautiful voices who would lure mariners to their doom on the rocky shores of islands in the Mediterranean. In modern day finances the temptation is to try to get rich quickly through speculation. While opportunities exist to succeed, they are very hard to identify..... and if you are wrong you may destroy years of hard work building up your nest egg. If the lure of the sweet voice of speculation is too much to resist, limit the potential damage to not more than what you could lose and not feel hurt, or at most 10% of your investments.

### **Bottom Line**

Warren Buffett did not become the "Oracle of Omaha" by chance. He learned the secrets early on about how not to make mistakes around money. The \$1 billion is safe by the way. Not one bracket selection around the nation made it past the first two rounds of the tournament. He's a smart old bird that Oracle! Take his advice to heart and you too might find the way to success with your finances.

### **Your Feedback**

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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