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Investment Focus



Estate Planning Wisdom From the Legendary Warren Buffett

"Father time always wins...before long, he will get around to me."
– Warren Buffett

Just months ago, Warren Buffett announced that he was donating 1,600 Berkshire Hathaway shares, valued at more than \$1 billion, to four family foundations. The move was in keeping with his 2006 commitment to donate 99 percent of his wealth to charity. Yet, it wasn't the donation itself that captured attention. Alongside the announcement, Buffett released a memo filled with his signature wisdom, addressing mortality and the importance of getting one's affairs in order.

Here are four estate planning takeaways from Buffett's memo, echoing advice he has championed throughout his life:

1. Transparency can go a long way. Buffett encourages parents to share their wills with their grown children while still alive. This approach allows parents to explain their decisions, address potential concerns and answer questions. "You don't want your children asking 'why?'...when you are no longer able to respond." Without these conversations, he has witnessed families driven apart after unexplained directions in a will left beneficiaries confused and angry. In contrast, he has also seen such discussions bring families closer.

Takeaway: While it may not always be appropriate to share every detail of a will or financial plan, open conversations, while you are alive, can help preserve family harmony once you are gone.

2. Estate plans—and beneficiaries' abilities to manage an estate—can change over time. Buffett reminds us that estate planning is not static. When his first wife passed away 21 years ago, he felt his children were not prepared to manage significant wealth. Yet, over time, he has gained confidence in their ability. At age w94, Buffett now also recognizes that their lifespans—at ages 71, 69, and 66—have materially diminished. He updates his will every couple of years and stresses the importance of simplicity.

Takeaway: Revisit your estate plan regularly, as circumstances and priorities can change (such as in Buffett's case, his beneficiaries' ability to manage the estate as they have grown and gained experience).

3. There are disadvantages to creating dynastic wealth. Buffett believes an inheritance should empower recipients without diminishing drive and purpose: "Wealthy parents should leave their children enough so they can do anything, but not enough that they can do nothing."

Takeaway: An effective estate plan often goes well beyond just transferring wealth. It can help pass along your values, or protect beneficiaries when needed. By thoughtfully planning how assets are distributed—such as through trusts, insurance or other mechanisms—you can create a legacy for future generations while fostering independence and purpose.

4. Express love while you are alive. Buffett closes his memo with heartfelt words for his children, expressing pride in their values and approach to life: "They enjoy being comfortable financially, but they are not preoccupied with wealth. Their mother, from whom they learned these values, would be very proud of them. As am I."

Takeaway: There is no time like the present to let your loved ones know how much they mean to you.

For the full memo, please see: <https://www.berkshirehathaway.com/news/nov2524.pdf>

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