

OPINION - By following Warren Buffett's easy-to-use method anyone could become a billionaire, writes Per H Börjesson, President of investment company AB Spiltan and bestselling author.



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Rich people like to save. Others like to spend. American investor Warren Buffett did not buy popcorn for his kids when they went to the movies.

Buffet uses the same easy-to-use method as I describe in my latest book "This is how Warren Buffett became the Richest Person in the World" [find links below].

Compound interest can mean that every penny not spent has the potential to generate a lot of money in the future. Buffett did not buy a new car because 10,000 dollars with 20 percent interest over 30 years would result in the future cost of the new car being 2,400,000 dollars. Einstein said that compound interest is the eighth wonder of the world.

With money saved, and earned, through compound interest, Buffett bought and held shares in stable companies with trustworthy management and business ideas that he understood in his home market: the US.

First he bought undervalued companies on small stock markets where nobody else paid any attention. Then he bought shares in larger companies like American Express, Coca Cola, Washington Post and Wells Fargo when these great companies had a low market value due only to problems that could be solved in the future. He then bought outright, companies that

How to become a billionaire - the Buffett way

Written by Johan Nylander

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wanted an owner. Crucially, he kept those companies, not selling them to any competitor or financial institution.

Everyone that has accumulated great wealth has started and developed a company over a long time period. One of the richest people in Sweden is Stefan Persson - the main owner of the H&M clothing chain. The unique feature of Buffett is that he has bought many different companies. Everyone can use the same method when they buy shares in the stock market. The problem is that it is against human nature to buy and keep.

In sport, work and leisure activities the most active normally is the winner. In the stock market it is the owner who both buys, and holds, stock that has the most money after 20-30 years. But the mother's milk of the financial industry is transactions.

Buffett says that the brokers' comment "you never get broke taking a profit" is the most stupid. Because then you miss the fantastic value increases of great companies and the effect of compound interest.

When H&M was floated on the Swedish stock market in 1974 the company had a market value of 80 million kronor. Today the company has a market value of 340,000 million kronor. The Persson family did not sell their shares when the stock doubled the first time in the 80s. During last year's financial turmoil the family bought more shares in H&M when everybody else was scared that the world would go under. Buffett acted in the same way and bought shares in General Electric and Goldman Sachs last October.

When you read interviews of people and they are asked what their best investment in life is, they often say that it is their house or apartment. The reason is that they have kept hold of their real estate for a long time period. In the last 40 years the value of a Swedish house may have increased 30 times. In the same time period the value of most well known Swedish companies such as ABB, Ericsson, Sandvik and SKF has increased 60-70 times. The reason that so few people have seen returns of that magnitude is that they have sold their shares to buy a new car or to buy a holiday. Or maybe they have had a call from a stockbroker who has recommended another stock. The hardest thing with the "buy and hold" method is to have the strength of character to not sell your best holdings. In a flower garden you water the nicest flowers and cut away the weed. It seems strange that most people do the opposite with their stock holdings.

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Buffett likes consumer companies with well known brand names, high growth rates, low debt and high return on equity. On the Swedish stock market we have few consumer companies but H&M and retailer Clas Ohlson are two companies that fit these criteria. Buffett also likes companies that have a “toll bridge” around their revenues. If you own a toll bridge you know that everyone that wants to pass the bridge must pay you money. In Sweden, financial institutions such as Handelsbanken have a “toll bridge” around their revenues stemming from the fact that it is complicated for the customer to change bank once an account is opened. Another example in the financial market is the low cost internet brokers like Avanza and Nordnet who will probably hold on to their customers for a long time because it is so hard to change to another broker once you have opened your account with them. Another example of a “toll bridge” company is the ski slope owner Skistar. When you have travelled to Sälen or Åre you have to use their lifts, buy food in their food outlets and rent skis from their rental companies.

If you don't know how to pick individual companies you could buy an investment company like Buffett's Berkshire Hathaway. It is probably a better buy than an American index fund because Buffett runs his empire in Omaha Nebraska with only 19 people resulting in extremely low costs. And as a share owner in Berkshire you get a part of great American brand names like Coca Cola and Gillette, a selection of fully owned subsidiaries with stable cash flows and one of the largest insurance companies in the world. If you like Swedish investment companies you could pick Latour and Lundbergs which has a mix of listed companies and fully owned subsidiaries. This has the most similarities to Berkshire Hathaway.



The Swedish private-investor and train-station-manager Israelsson is proof that having lower costs than revenues every month and “buying and holding” stocks is a winning strategy. He bought his first shares for 600 krona in 1939 and has continually bought more shares, and kept them, his whole life. Today he is 95 years old and has shares valued at almost 100 million kronor. Everyone can become a millionaire. Buy and hold shares for a long time period and you can become really rich just like Israelsson. If you start when you are 11 years old as Buffett did you can become a billionaire.

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President of [Investment AB Spiltan](#)

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