

## On Investing the Buffett Way

Paul T E Cusack

### Abstract

Warren Buffett was one of the most successful investors in History. He started by delivering papers when he was in high school and went on to make Berkshire Hathaway a very successful company. In this paper, we prove a skim of his method to build wealth. Note however, that Buffett never saw a great depression. He may have been just the luckiest investor in history, born at the right time.

**Author Affiliation:** Research Scholar, BScE, DULE, 23 Park Ave, Saint John, NB E2J 1R2, Canada

**Corresponding Author:** Paul TE Cusack. Department of BScE, DULE, 23 Park Ave, Saint John, NB E2J 1R2, Canada.

**Email:** [cusackpaul8@gmail.com](mailto:cusackpaul8@gmail.com), [St-michael@hotmail.com](mailto:St-michael@hotmail.com)

**How to cite this article:** Paul TE Cusack, On Investing the Buffett Way, Journal of Management and Science, 15(3) 2025 4-5. Retrieved from <https://jmseleyon.com/index.php/jms/article/view/882>

**Received:** 30 October 2024 **Revised:** 30 December 2024 **Accepted:** 28 March 2025 **Published:** 30 September 2025

### 1. INTRODUCTION

According to the system employed by Warren Buffett is to buy low and sell high. He values stocks by two methods which he learned from stockbrokers who went through the Great Depression.

Buffett, who learned from Fisher, Williams, Muggers, and Graham is to buy value stocks that are under valued by the stock market which is a huge, discounted cash flow machine. Second, he assesses growth potential. Buying undervalued stocks and stocks with high growth result in a cash flow that is bound to increase.

First is to value a discounted cash flow -the dividends -at the 10 year US Bond rate or the Market's historical return (8-10%) This is how he determines whether a price is over or under valued. A substitute for this is the P/E ratio or price to earnings. A typical P/E ratio is 18.

The second thing he does is to assess the business potential and the effectiveness of the management. This is a way to assess the stocks that have good growth potential.

Buffett believes in investing only in stocks that he understands the business. He calls it the circle of competence. Donald Trump calls it, investing in what you know. Since Buffett didn't understand Technology, he didn't invest in it. But Bill Gates did. Buffett is number one on the Forbs 500 list whereas Gates is number 2. Buffett has been at it much longer.

In the 1970-80's investors had their eyes on tech stocks. Buffett was a contrarian not by design but by necessity. He just avoided tech stocks. All the money was chasing tech stocks while Buffett had his eyes on businesses he understood -the simpler ones.

As for how many stocks to hold, some advise to not put all your eggs in one basket or too many baskets. Some think 30 stocks will diversify away the risk of a particular stock going to zero. Buffett believes in going all in. If he likes the business and management, he tries to acquire the whole business.

Buffett's first business was delivering newspapers. His second business was insurance at Berkshire -Hathaway at GEICO. My friend had a paper route. He inherited it from his older brother and leased it to his little sister. He did well but he didn't become a billionaire.

My uncle had an insurance business. He employed his kids in it but it never grew beyond 4 employees or one branch. Entrepreneurs must want to grow a business if they are to be financially independent or damn well filthy rich. Hiring family isn't always a good idea. You might be passing over a gem who wants to work for you. You should also ask a CEO what kind of people he will hire. And you always want to be honest in your dealings. Get a partner who has some skills you lack. You must be friends. Go to the best graduate school you can afford. You'll make more connected friends there.

Holding some gold (15%) was a good idea until scientists figured out how to make gold from coal recently. 95% of millionaires used to make their first million in real estate. Banks will lend for a home but not for a business. Real estate rarely goes bust because people always need a place to live. Land can be a good investment but because of the property taxes you are buying a negative cash flow unless you find a way to generate income from it (golf courses, Tree farm, camps) , My be internet space theses days. Many people are into fixing up old homes these days. But there are markets still priced low such as Saint John.

Some people are savers and can discipline themselves from the ups and downs of the stock market. Buffett was one of them. I'm neither. Some people have a knack for making money. I'm not one of them. Buffett never experienced a bottoming out of the stock market. It happens every 70 years. (1929, 2008). Stocks are not for the weak of heart. Better to go the real estate route for someone like me.

Most of the people who worked in business were crooks (lawyers, business graduate, heartless billionaires, construction executives) for example.) What does it profit a man to gain the whole world and loose his soul? They think greed is a good thing. The root of all evil is the love of money (power).

Business isn't complicated. Getting to Heaven is. Youm have to work hard to get to Heaven too. Don't invest in things that moth and rust can destroy. Invest in things that last for an eternity. I'm in it for keeps.

Warren Buffett from Omaha who has his office in Kiewit Tower, said that Peter Kiewit Sons Construction was one of the best investments in the USA. They were a privately held company. I work for their Canadian subsidiary. They paid engineers substandard salaries, exported risk of a bad economy to their employees, and expected their employees to save them capital by requiring employees to use their own car for work related trips. The company I worked for V K Mason Construction had no stock, no bonus, no retirement savings plan and it was recommended not to own a house since you could only refuse to move once in your career. How do you have a family. Still, I was fired from VK Mason. They called me up 6 months later and asked me to come back. I declined. The executive at the top made millions in stocks. They were stealing from young engineers. And there were a ot of accountants who were hanging around looking for engineers who were not doing any work. If they want to find people not doing any work, there is a mirror in the bathroom.