



What Choice Did Warren Buffett Have?

by Albert J. Mueller

The global applause about Warren Buffett's decision to give the bulk of his fortune to his close friends Bill and Melinda Gates was almost deafening but it was really the only logical choice for someone inexperienced and uninterested in philanthropy. Unless the Oracle of Omaha had come up with a way to "take it with him", the 75 year old Buffett only had 4 choices of what to do with his fortune:

DOOR #1: Spend it

DOOR #2: Give it to the government

DOOR #3: Give it to his children

DOOR #4: Give it to charities

As a rational economic being, Mr. Buffett ruled out Door #1 because he already has homes in Nebraska, California, fractional ownership of a jet, and all the Dairy Queen cones he can consume. Spending \$3 billion a year of income is difficult let alone trying to spend down the \$44 billion in accumulated wealth. Door #1 just didn't make sense.

Even though Mr. Buffett opposes the elimination of estate tax, he decided that the government wasn't the best way to use his fortune to help the less fortunate. So Door # 2 closed quickly.

When considering how much is "too much" for his children, Buffett concluded that he should leave them "enough so they can do anything, but not so much that they can do nothing." Wise advice about the harm that unearned money can do to the next generation. Give each child's foundation a billion dollars and a few million of spending money, there's still 40 billion left over. So much for Door #3 solving Mr. Buffett's problem.

The last remaining option for Mr. Buffett was Door #4, giving his fortune to charity. The choice of giving it to his long time, respected friend Bill Gates was con-

sistent with Mr. Buffett's personal philosophy. He desires to minimize overhead and agrees with Gates' belief that education can be reformed and sick people should be given medicine. Over the last 15 years, Buffett has seen the passion grow in Bill and Melinda for making a difference in the world.

But rather than jump on the bandwagon and risk injuring Mr. Buffett with yet another pat on the back, let's take a look at some questions that must be answered before bestowing accolades on Mr. Buffett's rational decision.

Question #1: Did Mr. Buffett's decision require any sacrifice?

Only 5% of Mr. Buffett's fortune will be given away each year. If the Oracle's investment performance continues strong, Buffett's wealth should grow sharply in the years ahead while he watches the Gates Foundation give that 5% away.

Question #2: What outcomes will Mr. Buffett's gift produce?

The outcomes from giving are much more important than the amount given. To date, the Gates Foundation has had both success and failure. The successes have come from funding in areas with "low hanging fruit". The cures to deadly diseases like malaria, yellow fever, river blindness, and ringworm were discovered while Teddy Roosevelt was President. Grants to provide proven vaccines and effective medicines as well as spraying safe pesticides should prevent deaths and improve conditions around the globe. Grants for medical research will be much more difficult to measure outcomes but is an important and worthy granting area. The jury is still out on whether more money solves the structural problems in our education system. Critics point the grants in Denver and New York City as having little or no positive impact. Just ask the Annenbergs, who have seen "no measurable impact" from their \$1.5 billion infusion into the United States education system.

Question #3: Are Mr. Buffett's giving priorities consistent and logical?

Why do proponents of population control want to provide medicine and vaccines? Isn't there a contradiction when you are concerned about too many births and at the same time spend valuable resources on helping the existing population stay alive? Should someone focused on birth prevention also be focused on death prevention? Why would a businessman want to limit the number of consumers who can buy insurance, razors, Coca-Cola, and Dairy Queen Sundaes?

Finally, we don't have to guess why Mr. Buffett selected the Gates Foundation to receive and give away the bulk of his fortune. There aren't too many places that

Buffett could get an instant matching gift program with no additional administrative expense. Mr. Buffett has a reputation for finding undervalued companies and recognizing talent. In his press conference he said: "Having Bill & Melinda give away your money is like having Tiger Woods hit your tee shot." We should remember that Tiger hit on 4 fairways on the second day of the 2006 U.S. Open and failed to make the cut. A great driver still needs to make his putts. If the Gates Foundation hits their drives long and straight and makes their putts as they use the enormous resources for solving the world's problems, then Mr. Buffett and the Gates' will truly be deserving of praise.

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Client Services
info@excellenceingiving.com

Excellence in Giving LLC
523 S. Cascade Ave. Suite E, Colorado Springs, CO 80903 | t. 719.329.1515 | www.excellenceingiving.com