

Don't waste money on fees: Buffett

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US-Investor Warren Buffett praised the country's market system for its ability to allow Americans to continue building "mind-boggling amounts" of wealth. Photo / Supplied

Billionaire Warren Buffett used his much anticipated annual letter to Berkshire Hathaway shareholders to reiterate his wariness of high Wall St fees and his positive outlook for the US economy.

Buffett devoted a section of the letter released at the weekend to again explain the benefits low-cost index funds have over most other investments. But he didn't weigh in on politics.

He estimates that wealthy investors who use high-priced advisers have wasted more than US\$100 billion (\$138.7 billion) over the past decade.

"The bottom line: When trillions of dollars are managed by Wall Streeters charging high fees, it will usually be the managers who reap outsized profits, not the clients," Buffett wrote. "Both large and small investors should stick with low-cost index funds."

Buffett recounted the first nine years of a 10-year bet he made that an S&P 500 index fund will outperform a collection of hedge funds. He made the wager with the money managers who own Protege Partners a few months before the recession began in 2008, with both sides picking a charity that would get at least US\$1 million.

Buffett's chosen index fund has recorded an 85.4 per cent gain over than time while the hedge funds delivered an average of 22 per cent.

Buffett again praised the country's market system for its ability to allow Americans to continue building "mind-boggling amounts" of wealth, but he didn't compare his views to the dire picture political candidates offer, as he did a year ago. Buffett is a longtime Democrat who supported

Hillary Clinton, but he has said he thinks the economy will be OK under President Donald Trump.

"Babies born in America today are the luckiest crop in history," he said.

Buffett devoted most of his letter to detailing the evolution of Berkshire and the performance of the Omaha, Nebraska-based company last year. His annual letters are always well read because of his successful track record and his knack for explaining complicated subjects in simple terms.

Buffett said he will continue looking for more acquisitions with Berkshire's roughly US\$86b in cash, but the company's size means it will be hard to match its previous results.