

Poor Charlie's Almanack, The Wit and Wisdom of Charles T. Munger.

Edited by Peter D. Kaufman

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This is my 5 th book review in my recommended reading series, where I share books I have gotten a lot of value for my businesses and personal development. As some of you may know, I also started an investment business many years ago, and so I'm starting to add books that I have also found very insightful for investing.

The book I am sharing today is a collection of speeches and talks given by the late Charlie Munger (1924-2023). Charlie was born in Omaha, Nebraska, and was an investor, businessman, lawyer, and philanthropist.

As a teenager, Charlie worked for Buffett & Son, a grocery store owned by Warren Buffett's grandfather and years later, after meeting Warren over lunch at the Omaha Club to talk about investments, the two began a lifelong journey as they built Berkshire Hathaway.

Why I liked this book:

As part of the book's title suggests, this book is an amazing combination of Charlie's "wit and wisdom" and includes talks he gave at various schools such as the University of California (UCSB), University of Southern California (USC), Harvard Law School, Stanford Law School and more.

His wit is humorously woven into his talks, and they include quips such as: **"I would rather throw a viper down my shirt than hire a compensation consultant."**; And **"All I want to know is where I'm going to die, so I'll never go there."**

A major theme of these talks is how schools tend to teach in their own focused disciplines and with very little, if any, connection to other fields, and in particular, psychology.

The three main things I liked in this book (among many other aspects) include:

- **The psychology of misjudgment tendencies** – as mentioned, a key theme of his talks is the influence and impact of psychology on people's decision making. Talk 11 includes 25 different psychological tendencies such as: Confirmation bias, Reward & Punishment tendency, Over Optimism tendency, and Social Proof tendency. When it comes to investing (or many business decisions), being aware of these inherent tendencies is an important part of the process.
- **Focus on micro, not macroeconomics** – Charlie does a great job of discussing these two areas of economics and advises his audience to focus on microeconomics when making investment decisions. There are simply too many variables in macroeconomics such as interest rates, inflation, unemployment, CPI, GDP, global political issues etc., to accurately and consistently predict these outcomes. However, understanding how they impact a business's customers or business model is useful.

- **Focus portfolio approach** - Charlie is well known for his influence with Warren Buffet regarding the idea that “buying a great business at fair price is superior to buying a fair business at a great price”. His focused investment style involves holding a smaller number of stocks in a portfolio (often fewer than 10), thoroughly researching them, and then taking big positions in them when buying opportunities arise.

This is a must-read book for anyone interested in investing. As Warren Buffett once said, “investing is a game of temperament, not IQ” and Charlie’s collection of talks really helps put some practical content around this concept.

I hope you enjoy this book as much as I did, and I look forward to your thoughts on it.

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