

# Are You as Frugal as Warren Buffett?

*By Lisa Smith*

Warren Buffett is often referred to as the world's greatest investor, and his long-term track record suggests that the title is well deserved. As of mid-2019, his net worth was estimated at \$82 billion.

But he also is legendarily frugal, residing in the same house in his hometown of Omaha, Nebraska, that he bought for \$31,500 in 1958. It must be said, though, that he also has a beach house in California that he bought for \$150,000 in 1971. At this writing, it's up for sale for \$11 million.

## Key Takeaways

- To Buffett, success is doing what you love to do.
- Luxury is buying what you want, not what you think you should have.
- His top tip for young people: Stay away from credit cards.

His tastes otherwise are simple and include McDonald's hamburgers and cherry Coke. His lack of interest in computers and luxury cars is well documented.

Underlying Buffett's legendary success is one simple fact: Buffett is a [value investor](#). And that is the hallmark trait of both his professional success and his personal lifestyle.

## The Ultimate Luxury

Warren Buffett's definition of personal success and luxury, revealed during an interview with CNBC, provides some insight into his philosophy. "Success is really doing what you love and doing it well," Buffett said. "It's as simple as that. Really getting to do what you love to do every day – that's really the ultimate luxury...Your standard of living is not equal to your cost of living."

And what Buffett loves to do every day is work at Berkshire Hathaway.

## The Trappings of Wealth

Buffett is not an accumulator of the toys and other trappings of wealth. He views the maintenance and expenses associated with these things as a burden. It's a view that extends to cellphones and computers.

"The first rule of investing is don't lose money. The second rule is, don't forget rule number one." -Warren Buffett

When CNBC asked him what was the one thing he believed young people should be doing to be smarter about money, his primary advice was to "stay away from credit cards."

Paying [interest](#) on credit cards probably indicates that you are living beyond your means. And it definitely indicates that you're throwing money away on interest. Both those things are incompatible with Buffett's philosophy.

## **Keeping It Simple**

As a value investor, Buffett is always looking for a bargain. Even his second wedding was a simple affair.

A man who could have chosen any venue in the world got married in 2006 in Omaha at a private ceremony held at his daughter's house. The ceremony lasted just 15 minutes.

## **Warren Buffett's Frugal, So Why Aren't You?**

## **An Independent Streak**

Warren Buffett loves his job. He often says that nothing is more fun than running Berkshire Hathaway, so he doesn't spend a lot of money on hobbies, relaxation, travel, and other escapes from his day job.

Like many born entrepreneurs, Buffett had no desire to work for someone else. His ambition was to start his own company rather than complain about the one he was working for. That in itself could be a key to future wealth for like-minded people.

## **How to Get Rich**

Buffett has a clear strategy for making money. He says, "The first rule of investing is don't lose money. The second rule is, don't forget rule number one."

It's a strategy he employs in his personal life as well, and it begins by living far below his means. He is not interested in keeping up with the Joneses although, in his case, the Joneses probably have a private island and a jet to get there.

Despite a net worth measured in the billions, Warren Buffett earns a base salary of \$100,000 a year at [Berkshire Hathaway](#). It's a salary that has not changed in more than 25 years.

## **Trickle-Away Economics**

For most of us, billionaire status is out of reach. But that's not the point. If you are letting your entire income slip through your hands in discretionary spending and unnecessary expenses, you're as far from future wealth as anyone can be.

As it turns out, people can learn a lot from the [Oracle of Omaha](#), about living well as well as investing wisely.