

'A Huge Amount of Financial Folly'

February 29, 2008 5:42 p.m.

Warren Buffett, CEO of Berkshire Hathaway Inc., released his annual letter to investors Friday afternoon. Below are excerpts.

On the bubble in the housing market:

You may recall a 2003 Silicon Valley bumper sticker that implored, "Please, God, Just One More Bubble." Unfortunately, this wish was promptly granted, as just about all Americans came to believe that house prices would forever rise.

On investors' expectations of the stock market:

I should mention that people who expect to earn 10% annually from equities during this century - - envisioning that 2% of that will come from dividends and 8% from price appreciation -- are implicitly forecasting a level of about 24,000,000 on the Dow by 2100. If your adviser talks to you about doubledigit returns from equities, explain this math to him -- not that it will faze him. Many helpers are apparently direct descendants of the queen in Alice in Wonderland, who said: "Why, sometimes I've believed as many as six impossible things before breakfast." Beware the glib helper who fills your head with fantasies while he fills his pockets with fees.

Joking about unanticipated growth in the property/casualty insurance business:

The best anecdote I've heard during the current presidential campaign came from Mitt Romney, who asked his wife, Ann, "When we were young, did you ever in your wildest dreams think I might be president?" To which she replied, "Honey, you weren't in my wildest dreams."