

Review of Poor Charlie's Almanack– Abridged Version

I was given a gift of Poor Charlie's Almanack in late 2005. The book is a compilation of speeches that were given by Charlie Munger– long-time investment partner of Warren Buffett. I provide this review of the ideas that I learned from the book.

This book was written in the spirit of *Poor Richard's Almanack* Benjamin Franklin's timeless advice. If you desire to learn from one of the most successful investors of all-time, there are some insights into Munger's thinking. One of his primary ideas is that you must have "Multiple Mental Models" in your head.

What he means by this is that you should have a framework of the big ideas in the big disciplines. Economics, finance and accounting would be a given for investors. But Munger's view is that you need much more. You should also have a good basic understanding of psychology, religion, physics, biology, mathematics, engineering, chemistry, statistics, etc...

Without these big ideas in the big disciplines, you will be at a disadvantage in processing whether an investment opportunity is worthwhile.

Munger emphasizes focus and simplicity in making investment decisions. He says that if you treated your investment decisions over your lifetime as if you had a punch card with only twenty opportunities, you would be a whole lot more careful. In other words, you would only have 20 investments that you can make in a lifetime. You would think long and hard before committing capital to one of those 20 investments.

My favorite speech in the book was his June 13, 1986 Harvard School Commencement Speech. He was inspired by the late Johnny Carson to give high school seniors a talk that they would not forget. Instead of the standard "This is How You Can Be Successful in Life" speech, he gave a talk on "How to Guarantee Misery." Carson's speech centered on three things: Ingest chemicals in an effort to alter mood or perception; Envy and Resentment. Munger added to that:

1. Be unreliable
2. Learn everything from your own experience
3. Allow adversity to defeat you

Munger emphasizes throughout the book the importance of reading to expand your mind and perspective. One thing that most men and women have in common that have achieved some level of worldly success is that they are all voracious readers.

There is a lot to be learned from the minds of men like Charlie Munger. I will say that after reading the book I had the impression that Munger's worldview was humanistic. There is a quote by Bill Gates in the book about Charlie that he would hold his hand up while taking a drink to prevent others from talking. The comment was made in a joking manner, but foolish pride is often a distinguishing characteristic of worldly success. I am reminded continually of the words of Jesus in *Mark 8:36*, "What does it profit a man to gain the whole world and forfeit his soul."

I don't claim to know the state of Charlie Munger's soul. But I do believe that the most important mental framework that we can have is to filter everything through the grid of God's revelation– the *Bible*. Another renaissance man– the Apostle Paul– once said, "Where is the one who is wise? Where is the scribe? Where is the debater of this age? Has not God made foolish the wisdom of the world?"- *I Corinthians 1:20*

