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Buffett's \$4.53 Billion "Missing" Paycheck

-- By Carla Pasternak

Buffett's focus on value investing has placed him among the richest men in the world. But with my focus on income, I see things a little differently than the world's most famous investor.

By not focusing on dividends, I calculate Warren Buffett and Berkshire Hathaway are missing out on billions over the next year -- up to \$4.53 billion to be exact. (Full Story Below)

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Income Notes

Buffett is increasing fixed-income investments after results slumped at operating units and companies in Berkshire's equity portfolio slashed dividends.

"Some of the normal places he's gotten the cash to invest are just getting killed in the recession," said Gerald Martin, a finance professor at American University. "So he's locking in these guaranteed returns, moving from the volatility of stocks to a steady stream of income that, in some cases, is almost at the return you normally get from the stock market."

-- Bloomberg

Buffett's \$4.53 Billion "Missing" Paycheck

To say Warren Buffett has done well for himself would be an understatement. That's why from time to time, I like to check in on what the "Oracle of Omaha" is doing with Berkshire Hathaway's (NYSE: BRK-A) portfolio.

I came across a neat resource the other day. If you also like to keep tabs on Buffett, CNBC.com has a page that tracks the common stocks in Berkshire's portfolio in real-time. [You can see it here.](#)

Looking at that page, it's very evident that Warren and I invest a little differently than each other. He's the most famous value investor in the world. I'm more than happy to let the dividends roll in month after month -- even if the checks aren't in the billions or millions.

So while I understand he isn't on the prowl for high-income securities, the holdings still left me a little astonished. Poring over the names, I recognized every stock -- Berkshire owns some of the most well-known companies in the

Berkshire Hathaway's Highest-Yielding Stocks	
Stock	Yield
Glaxo (NYSE: GSK)	4.8%

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world.

But I also recognized that they don't own many stocks I would even look twice at for income. The closest one is GlaxoSmithKline (NYSE: GSK), which yields 4.8%.

M&T Bank (NYSE: MTB)	4.7%
Sanofi (NYSE: SNY)	4.4%
Conoco (NYSE: COP)	4.3%
Kraft (NYSE: KFT)	4.1%

To its credit, Berkshire does own some securities throwing off nice income. They acquired some Goldman Sachs (NYSE: GS) and General Electric (NYSE: GE) preferreds in late 2008 that pay a nice yield of 10%. However, that was a special deal not available to retail investors.

Digging a little deeper into Berkshire's holdings, I found the roughly 40 common stock holdings yield an average of only 2.0%. Even so, thanks the massive size of its portfolio, Berkshire will rake in an astonishing \$1.2 billion from dividends alone over the next year if you project forward the annual payments of the current holdings. Certainly \$1.2 billion is nothing to sneeze at.

But Buffett's disinterest in income is costing Berkshire.

On a whim, I calculated the average yield of the 21 holdings in my [High-Yield Investing](#) portfolios (I like to be able to watch my holdings like a hawk, that's why my portfolio isn't larger than it is). It comes out to 8.4% -- more than six full points above Berkshire's 2.0% average yield.

In actual dividends paid, the difference between the yield on my portfolio and Berkshire's would be staggering. Berkshire's portfolio totals \$53.9 billion (which is more than the GDP of Panama, Iceland, and Bulgaria, among others). If the entire portfolio earned 8.4% in dividends annually, payments would total \$4.53 billion -- over \$3.3 billion more than it does right now, and enough to purchase nearly two dozen Boeing 747's.

Of course, we don't all have the portfolio of Berkshire Hathaway, and I think Warren Buffett has done ok for himself with his value focus. But the same principles that are leaving billions on the table for Berkshire could be leaving thousands on the table for your portfolio if you aren't making dividends a priority.

Good Investing,



Carla Pasternak's Dividend Opportunities

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