

CHAPTER ONE

AN EXTRAORDINARY COMBINATION OF MINDS

I've been associated with Warren (Buffett) so long, I thought I'd be just a footnote.¹

Charles T. Munger, when he was first named to the
Forbes magazine list of richest Americans in 1993

“MY CLOSEST AFFILIATION WITH CHARLIE MUNGER is a strange one,” said Katharine Graham, retired publisher of the *Washington Post*. “At first I consulted him because I found myself in charge of not only a company, but in charge of children’s and grandchildren’s trusts, and with no experience. I asked Warren’s advice, and he did what he very typically does. ‘This is what I think, but talk to my partner Charlie. He agrees with my position in most things.’”

“So I went to talk to Charlie in Los Angeles in his office. I thought he was interesting and rather brilliant, of course. I took out a yellow legal pad and started taking notes. This made Warren laugh. To this day he teases me about how I took notes of Charlie’s words of wisdom.”

After Warren Buffett, the billionaire financier from Omaha, set up a meeting between Graham and Munger, she said, “Charlie and I had a lively, long correspondence. It was too strange.”

Graham kept a file folder of the letters and reviewed it when preparing her Pulitzer prize-winning autobiography, *Personal History*. “I looked over the correspondence which was the main, very close contact I had. I can’t make out from it why we started writing. This went on for about 10 years, both of us riding bicycles without using our hands, showing off to each other, making jokes.”

Graham, who in her shy, retiring way, always worried that her best efforts weren't good enough, finally realized that for the most part, "He was reassuring me that I was doing better than I thought."

"The thing that strikes me is how strongly alike Warren and Charlie sound. The voice, the manner, and the humor," said Graham. "They play off each other and tease each other. And they do make, to my mind, a most extraordinary combination of minds."

"I HEARD ABOUT CHARLIE MUNGER IN 1957," explained Buffett, who years later would become America's wealthiest citizen. "I was managing money on a very small scale, in Omaha, about \$300,000. Dorothy Davis was the wife of Edwin Davis, the most prominent doctor in town. I knew about them and they knew about my family. I went over to their apartment, Mrs. Davis was very sharp. I explained how I ran money. Dr. Davis paid no attention. When I was done, they conferred—then agreed to invest \$100,000. I said to Dr. Davis, 'You weren't paying any attention. Why did you put money in?' He said, 'You remind me of Charlie Munger.' I said I didn't know Charlie Munger but I like him already."

When Munger was growing up in Omaha in the 1920s and 1930s, the Davis family were both neighbors and close friends. The doctor was a little unusual, but "a very talented odd fellow. And certainly the Buffett investment worked out very well for the Davis family," said Charlie. The money the Davises placed with Warren represented most of their net worth.

"Eddie Davis *was* a little odd and he got odder as he got older," concurred Buffett. "He finally got a little senile. Later, when he was adding to his investment with me, he started making the checks out to Charlie Munger. I told Eddie, 'I don't mind you confusing the two of us under many circumstances, but make the checks out to Warren Buffett.'"

Two years after Buffett first heard Charlie's name, the two men met. "In 1959, when Charlie's dad died, he came back to help settle up. The Davises arranged a dinner. We hit it off immediately," said Buffett.

The Davises that Warren now referred to were not the doctor and his wife, but rather the Davis children, who had been Charlie's childhood playmates. Both Davis boys, Eddie and Neil, became doctors and by then the daughter, Willa Davis, was married to Omaha businessman Lee Seemann. It was Neil who arranged dinner at the old Omaha Club. The party included Willa and Lee Seemann, Joan and Neil Davis, Charlie and Warren. "It was electric in a really nice way," recalled Willa.

Munger had heard other people mention Warren as well, but he did not have particularly high expectations about meeting him. “I knew everyone in the Buffett family except Warren,” said Charlie. Munger noticed a few things about the bespectacled young man right away. “He had a crew cut. Warren was working out of a sunporch at his house, and his dietary habits were toward Pepsi, salted nuts, and no vegetables.”² Charlie, who considers himself fairly tolerant about such matters said, “Even I get surprised watching Warren eat breakfast.”

His minimal expectations of the meeting were unjustified. Munger, who is reserved in his judgments, was floored. “I would have to say that I recognized almost instantly what a remarkable person Warren is.”³

Charlie began asking questions immediately about what Buffett did for a living and how he did it and was fascinated by what he heard. The following evening another mutual friend, Dick Holland, invited both to dinner. Warren, who was then 29, and Charlie, 35 years old, again fell into deep conversation. Charlie was so wrapped up in what he was saying that when he raised his glass to sip his drink, he held his other hand up to stop anyone else from interrupting the conversation.

The timing was propitious for the two to meet. Charlie’s beloved father had died, and Buffett’s mentor, Benjamin Graham, had retired from investing and moved from New York to Los Angeles. As Graham became less interested in investment problems, Warren felt the loss. He needed a new sounding board. It may be precisely because Munger was so similar to Graham in his thought processes—honest, realistic, profoundly curious, and unfettered by conventional thinking—that he captured Buffett’s attention in the first place.

“I think Charlie is a lot more like Ben Graham than Charlie knows,” explained Louis Simpson, co-chairman of GEICO and the man believed to stand second in line should Buffett or Munger become unable to run Berkshire Hathaway. “Charlie takes the academic approach, but also has interests in a lot of different things. In his reading, his tastes are eclectic.”

Buffett, who is known for his single-minded focus on investing, agreed that Munger is like Graham in his wide range of interests. “Charlie’s mind has a greater span than I do. He has read more biographies, hundreds per year. He soaks them up and remembers [them].”

By the time Fidel Castro seized power in Cuba and the youthful John F. Kennedy was elected U.S. president, Buffett and Munger had become “mental partners,” a relationship that involved no contract or titles—at least in the beginning.

It was more like a “brother act” than a business arrangement, Buffett said. Based on mutual trust and confidence, it grew discussion by discussion, meeting by meeting, deal by deal.⁴

Though Charlie had lived only blocks from the Buffett home in Omaha and had worked in the Buffett family store as a teenager, the six years difference in their ages kept them in separate circles. Yet it was the common threads that allowed the two to make an immediate connection.

“If you think of Charlie and Warren as boys, they were very similar,” observed Munger’s oldest daughter, Molly. “Similar parents, values, same town. One of those alone would make a friendship.”

Munger and Buffett had something else in common. “Like Warren, I had a considerable passion to get rich,” said Charlie, who early on earned his living as a lawyer. “Not because I wanted Ferraris—I wanted the independence. I desperately wanted it. I thought it was undignified to have to send invoices to other people. I don’t know where I got that notion from, but I had it.”⁵

CHARLES T. MUNGER IS VICE CHAIRMAN and the second-largest shareholder in one of the world’s most renowned holding companies, Berkshire Hathaway Inc. He also is head of the Daily Journal Corporation, the largest-circulation legal newspaper group in California and of Wesco Financial Corporation, an 80 percent-owned subsidiary of Berkshire. Additionally, Munger is an indefatigable participant in the philanthropic life of Los Angeles. When his image appeared on the cover of a 1996 issue of *Forbes* magazine, the general public began to realize Munger was more than Warren Buffett’s straight man at the Berkshire Hathaway annual meetings.

One of the most elusive, intriguing, and independent business leaders in America, the 76-year-old Munger said it was his goal to stay just below the wealth-level required to be named to the *Forbes* richest Americans list. It would help him stand just outside the limelight. The strategy didn’t work.

In 1998, Munger’s fortune was calculated at more than \$1.2 billion. On the richest Americans list, Munger ranked just below the family heirs to the Levi Strauss fortune. He ranked just above Michael Eisner, head of the Walt Disney Company; hotel heir William Barron Hilton, and most surprisingly, higher than Silicon Valley computer nabob Steven Jobs.⁶

Like Warren Buffett, Munger inherited no wealth. He built his fortune on the sheer power of his will and his business acumen.

“While no real money came down, my family gave me a good education and a marvelous example of how people should behave, and in the

end that was more valuable than money,” explained Munger. “Being surrounded by right values from the beginning is an immense treasure. Warren had that. It even has a financial advantage. People touted Warren partly because he was a Buffett and people trusted the Buffetts.”

According to the worldwide rumor mill powered by members of Buffett’s cultish fan club, Munger may be the wizard behind the Berkshire Hathaway throne. Howard Buffett, Warren’s eldest son, has said that his father is the second smartest man he knows. He says Charles Munger is the first.⁷ Certainly Warren Buffett, in his wry way, builds on Munger’s mystique: “Charlie does the talking,” Buffett claimed at one of Berkshire Hathaway’s annual meetings. “I just move my lips.”

One year, Buffett fielded a question from a shareholder, then passed the query on to Munger, who gave the expected reply, “I’ve got nothing to add.” Buffett, who teases Munger unmercifully, chuckled. “Sometimes he *subtracts*.”⁸

Warren and Charlie put on an entertaining show at the Berkshire Hathaway annual meetings. They also do a conscientious job of portraying the business and investment philosophy of one of America’s most talked about but least understood corporations. Yet Buffett is indisputably the star of the event and his personality takes the spotlight. Charlie Munger has perfected his role as the curmudgeonly sidekick, and in fact seems to enjoy the straight-man role.

“But that guy you see sitting next to Warren, that isn’t Charlie. That’s just the image he’s cultivated,” explained Munger’s stepson, Los Angeles attorney Hal Borthwick. “It’s true, probably, he doesn’t have a lot to add and he wants to get on with it. I think he works better in small groups than he does in large crowds, but at the end of the day, that isn’t the real Charlie Munger that’s sitting up there.”

Who is the real Charles T. Munger?

To Borthwick he is a dedicated step-father, a mentor and someone who has made life a real adventure.

To *Forbes* magazine, Munger is the foil that makes Buffett’s down-home image believable. His “tough style approach makes possible Buffett’s Mr. Nice Guy.”⁹

To the former top managers of Salomon Brothers Inc., he was a hard-nosed board member who recognized a deception early and insisted that government regulators and the public be given a full and contrite explanation of an episode involving U.S. Treasury bond trading misdeeds, even if Salomon’s lucrative bond trading business was put at risk.

To the small but prestigious Los Angeles law firm, Munger, Tolles & Olson, Munger is a powerful client magnet who attracted oil companies,

public utilities, and other corporations. Many decades ago, Munger brought in a small and loosely connected group of companies that in time became the Berkshire Hathaway of today.

To those who support women's rights, Munger is a hero—the catalyst who years ago sparked the movement to legalize abortion in the United States.

For those who oppose abortion rights, Munger is a powerful nemesis, one who deserves to be picketed now and then.

To Roger M. Grace, Los Angeles gadfly publisher of *The Metropolitan-News*, Munger is a billionaire bully intent on using his Daily Journal Corporation to monopolize the California legal publishing market.¹⁰

To his bridge partners, including Buffett, *Fortune* magazine editor Carol Loomis, Los Angeles billionaire Otis Booth, Microsoft founder Bill Gates, and the late comedian George Burns, he's a good bridge player who would be even better if he didn't occasionally verge into aberrant behavior. His partners sometimes have a little trouble understanding why he makes certain bids or plays certain cards, though usually he is following some simple logic of his own.

To boat owners and builders, Munger is a guy who is intrigued by new and offbeat ideas for watercraft, and who just might be persuaded to back a project. "My dad is a pushover for anyone with a wild idea for a boat," said his eldest daughter Molly.

To James Sinegal, chief executive officer of Costco, the warehouse retailing chain on whose board Munger sits, Munger is one of the best-connected businessmen in the country. When he met Charlie to ask him to serve on Costco's board of directors, the two had lunch at the prestigious downtown Los Angeles business club, the California Club. "There was a big lunch crowd," recalled Sinegal. "I think all 400 of them knew Charlie."

Later at Munger's first Costco board meeting in 1997, Sinegal started to introduce him to another director, prominent political activist Jill Ruckleshaus. It turned out that Munger and Ruckleshaus had met long ago. "You're never shocked by whom Charlie knows," said Sinegal.

Among Munger's friends are Bill Gates, Nathan Mhyrvold (once the futuristic idea man at Microsoft), General Electric chairman Jack Welch, former U.S. Trade Representative Carla Anderson Hills, Los Angeles Mayor Richard Riordan, and many governors, senators, and presidents.

As similar as they seem, Buffett and Munger also are quite different—opposites in some ways. Whereas Buffett specializes in simple language, folksy stories, and allegory, Munger grants nothing to small words. If he can use a big word when a small one will do, he spends the syllables.

Munger thrives on complex ideas and detailed analysis. While Buffett is uninterested in clothes, Munger is a natty dresser. Buffett lives in the first house he ever bought and has done only limited remodeling over the years. Munger loves architecture and owns seven homes in all. And finally, Munger is a staunch Republican, while Buffett calls himself “mostly a Democrat.”

Munger’s personal life has been difficult and at times even tragic, and money did not come to him as easily as it seemed to come to Buffett. Yet, as with other great partnerships, such as those involving Microsoft founders Bill Gates and Paul Allen; Sony Corporation’s Akio Morita and Masaru Ibuka; or Buffett’s early mentor Ben Graham and his partner Jerry Newman—there is a synergy, even a magic in the relationship. Each man is talented on his own, each would have attained great wealth and lived an interesting life separately. But both have gaps in their personalities or skills that are filled in by the other. The two fare much better as a duo than either could do independently. As Munger often says, you can get “lollapalooza” results when you bring together the right combination of factors.

Buffett had formal training in business and finance, but not in law. Munger had been a corporate lawyer and, though he had experience in operating businesses, he still had a lot to learn about being a professional investor.

“You know the cliché that opposites attract?” Munger said. “Well, opposites don’t attract. Everybody engaged in complicated work needs colleagues. Just the discipline of having to put your thoughts in order with somebody else is a very useful thing.”¹¹

In Munger, Buffett found someone who shared his values and goals and to whom he could talk on a sophisticated level.

One of the greatest similarities between the two men is their sense of humor. Like many Midwesterners, they have learned to deal with discomfort, stress, surprise, and even grief by making jokes. Humor breaks the tension, provides psychological protection, and allows them to assert dominance over their circumstances.¹²

Munger brought more than comradeship to the mix. Though Buffett had inherited a group of former Graham-Newman investors and was busily recruiting money from Nebraskans, Munger spread the word about Buffett’s skills in California, bringing millions more dollars into his investment pool. To a large extent, Berkshire’s early success was due to the acquisition of Blue Chip Stamps, See’s Candy, and other California companies, most of which were discovered by Munger and his circle of West Coast investors.

Just as Munger looked on in amusement at Buffet parochial food preferences, Buffet came to understand Munger's unusual personality. In 1967, in one of their early ventures, Munger and Buffett went to New York to buy a small company called Associated Cotton Shops. Buffett recalls walking along a street in Manhattan with Charlie, talking about the business deal. Suddenly Buffett looked around and discovered he was talking to himself. Charlie was gone. Later Buffett learned that Munger remembered he had to catch a plane, and just walked off.

Despite Munger's ungraceful abruptness, said Buffett, "He is a sensational friend. The niceties are not there. None of the superficial acts, but all of the real ones. We've never had an argument. We've disagreed at times and we've done a lot of things together, but there's never been one time we've been mad or irritated or anything. If you talk about ideas, he's not going to get emotional about it. But if he has superior facts or reasoning, he won't back off. We both think the other one is worth listening to."

HIS OWN LIFE, insists Munger, is "not a big story—long dull stretches are possible. To finish first you have to first finish. Don't get in a position where you go back to go. What's interesting is that some guy whose grandfather was a lawyer and a judge—hurriedly going to Harvard Law with a wave of veterans—I was willing to go into so many different businesses. I was constantly going right into the other fellow's business and doing better than the other fellow did. The reason it was possible? Self-education—developing mental discipline, big ideas that really work."

Munger's life story reveals a number of large, though perhaps loosely organized, ideas that served him well: Live within your income and save so that you can invest. Learn what you need to learn. As Buffett likes to say, "if it's trite, it's right."

Warren Buffett often counsels college students to develop early the right habits of thought and behavior, since most of the time, people act on habit. This goes hand in hand with another big idea promoted by Munger—always act as honorably as possible. "How you behave in one place," he says, "will help in surprising ways later."

CHAPTER TWO

THE LAKE—
A PLACE THAT
DEFINES MUNGER

*There are a lot of things in life way more important than money. All that said, some people do get confused. I play golf with a man who says, "What good is health? You can't buy money with it."*¹

Charlie Munger

IT IS THE LAST SUMMER OF the twentieth century and Charles and Nancy Munger clamber from the motorboat onto the dock at their Star Island house, greeting a chattering gaggle of children and grandchildren. A flaxen-haired three-year-old says "Hi Grandad, hi Grandad," and when Charlotte fails to get Charlie's attention, she simply takes his hand and quietly walks beside him. Minutes later Charlie begins talking to the little girl, as if he'd known all along that she was there. Charlotte glows, clearly pleased that her strategy paid off. This is a big family, and competing for the attention of the patriarch is a common occurrence.

Daughter-in-law Sarah calls from the kitchen, "Charlie, Warren called. Call him back."

"Okay," shouts Charlie, but instead of going to the telephone, he gives directions to his sons and to the houseman, Felipe Velasquez, as to where various pieces of luggage (including an unwieldy bag of fishing rods) are to be deposited.

Felipe holds up a sturdy, plastic bait box that had been checked as luggage on the Munger's three-leg flight from visiting friends in Maine to Bemidji, the nearest airport to the Munger family lake houses in Northern Minnesota. "Look," Felipe grins with delight. "Not dented!" The box

holds a collection of newfangled lures that Charlie Munger, a certified billionaire, ordered from a television fishing show.

When the fuss and flutter of his arrival at the Cass Lake retreat settles, Charlie goes to the only telephone in the house, which hangs on the wall in the kitchen. There a gang of adult children (led by Sarah who is a professional chef) is preparing dinner for the thirty family members and friends on hand. A preteen granddaughter, Mary Margot, solemnly peels carrots, alert for any mention of a fishing trip. Mary is smitten with fishing and is restless to check out the lake with her grandfather.

Charlie glances around the kitchen, as if calculating the odds of carrying on a reasonably private conversation with his pal and business partner, the second richest man in the world, the Sage of Securities, Warren Buffett. Nancy Munger comes to her husband's rescue. "It's a walk-around phone Charlie. Just take it wherever you want and dial the number." As if unconvinced that the phone has enough range to work outside or from an upstairs bedroom, Charlie goes just around the corner into the living room and punches in the telephone number that he knows by heart. Pandemonium continues in the rest of the house as Charlie plops down in a lumpy upholstered chair to chat with Warren.

"Mumble, mumble, mumble."

Silence.

"Mumble, mumble."

Silence.

"So it's the price that bothers you?" asks Charlie.

Silence.

"If you wait, I think you'll get your price."

Silence. "Okay." Click.

Though Charlie Munger's story begins in Omaha, Nebraska, on January 1, 1924, he clearly considers Star Island home. It is the place where he has knotted a rope between his past, present, and future. The summer cottage has brought the family together during sad times, extremely busy times, and especially later as the children grew up, scattered around the world, and created families of their own. Charlie's grandparents vacationed there, his parents vacationed there, and over the years, this collection of cabins on the small island in the middle of Cass Lake, Minnesota, has become the family seat for Munger's eight children, fifteen grandchildren, and an assortment of aunts, uncles, nieces, nephews, and cousins.

The Munger family that gathers at the island each summer is an amalgamation of his, hers, and theirs. Charlie has two daughters from his first marriage—Molly and Wendy. His wife Nancy has two sons from her

first marriage—Hal and David Borthwick. Charlie and Nancy have four children together—Charles Jr., Emilie, Barry, and Philip. All are married with children now, except Philip, who is a graduate student in New York City.

“We all think the island is central to the family,” said Wendy Munger. Star Island is the sort of community that is difficult to form in today’s hectic urban centers. “If you’ve got a hole in the roof,” said Wendy, “the neighbors come help fix it. If your boat breaks down, they help. It’s very communal. There is a connection to your neighbors, a lot of sharing of everything.”

The island is a place of precious memories to the Munger children because their work-absorbed, ambitious father made a ritual of spending time with them there each summer.

“That’s where we saw the most of him,” said Wendy.

The island is aptly named. Its shape resembles that of a star that has fallen from the sky and splattered to earth. The dense evergreen forest starts directly in back of the houses and the clear water of Cass Lake laps up just 40 feet from the front door of Munger’s eastern shore cottages. Lake Windigo, a body of water completely contained within the island, is less than a 15-minute hike from any of the cottages.

There are no roads on the island, and to get around, residents use a system of hiking trails dividing uncut woods. The only way to reach Star Island from the mainland is by private boat. Most of the island is now controlled by the U.S. Forest Service, but the longtime residents who own the several dozen cottages perched along the edges, feel it is theirs.

Munger’s grandparents discovered Star Island in 1932. Cass Lake was a two-day drive from their home in Lincoln, Nebraska, but to the Mungers, the trip into the Northern Minnesota wilderness was worth the effort. They came upon the snug resort community in their desperation to escape the stifling 90-degree heat, 90 percent humidity that settles over Nebraska in the summers. Home air conditioning was almost unknown, and any Midwesterner who could afford to do so fled to the cooler north.

After the solitary hotel on the island burned, the only accommodations left were an American-plan lodge (which later was acquired by the U.S. Park Service and demolished) and a sprinkling of primitive cabins around the shoreline. At first, the Munger family rented one of the cabins. Charlie’s grandparents were a stalwart couple. Federal Judge Thomas C. Munger and his wife believed that roughing it with no electricity, no toilets, no telephones, no nearby stores, was good for their family. It built character. Electricity didn’t come to the island until 1951 and telephones weren’t available until the 1980s.

"I think I was 13 when the bathroom went in," recalled Wendy Munger. "Before that, we had outdoor toilets and a couple of sinks."

The original Munger cabin was built around 1908. Charlie's father bought it in the 1940s from Dr. Tommy Thompson, a Lincoln orthopedist. Dr. Thompson's droll comments on life still hang on some walls.

"My dad paid \$5,600 for this house in 1946," explained Charlie. "My grandmother had just died and he inherited some money. Before that he didn't have anything extra."

An avid outdoorsman, Al Munger was delighted to own his own lake house. But Charlie's mother Florence, always called Toody, had to muster up her courage to make the annual trip to Minnesota.

"It was Dad's love. Father was a passionate fisherman, a duck hunter, loved dogs," recalled Charlie's sister, Carol Estabrook. As for Toody, "She was allergic. She was not an outdoor lady at all."

Although the short boat ride from the mainland marina to the family dock was an ordeal for her, Toody Munger set the standard for all grandmothers.

"Here was this woman who couldn't swim, and yet she came every summer to an island out of love for her children and grandchildren," recalled Wendy. Once she was safely on the island, Toody Munger's sense of humor returned.

"At Cass Lake," said Charlie's childhood friend Willa Davis Seemann, "just before dinner we had to straighten things. 'I want this cottage artistic by sunset,' Toody would say. She was clever and fun."

Allergies and insecurity on water weren't Toody's only problems with the island. She was terrified of mice, and there were plenty of rodents to be found in a cabin in the woods that was unoccupied much of the year. The Mungers have never been able to get rid of the mice completely, even though the house has been remodeled several times. Even at home in Omaha, Toody Munger had to confront her aversion to rodents, thanks to her only son, Charlie.

Charlie recalled that when he was a small boy, he and his mother would go out walking together. One day he saw a dead rat by the side of the road. "I'd already sensed her aversion to rodents, so I picked it up and said, 'Mother, what's this?' and waved it in front of her. She turned and ran down the road and I ran after her, still holding the rat."

"It was the only time she took out after me with a coat hanger," Charlie said.

Later Charlie became enamored with raising hamsters in the basement. It was a popular hobby at the time, and Charlie began trading his

pets with other hamster farmers, usually children like him. The Omaha Cavy Club met downtown in the county courthouse, and Charlie was always riding off to meetings on his bicycle.

"The idea was getting a bigger buck, or a hamster with unusual coloration, or something like that," explained Munger. At one point he owned about 35 hamsters and when one of them died, he wanted to keep it in the refrigerator.

Carol Munger Estabrook said that her brother sometimes forgot to feed the hamsters or would come home from school late. The little creatures "squeaked like crazy and could be heard all over the house. Finally they got to smelling so bad mother made Charlie get rid of them."

Munger and his two sisters inherited the Minnesota cabin from their parents, but Charlie's sister Mary, who has since died, sold her share to buy her own island cabin down the beach. Now, Charlie, his wife Nancy, and his surviving sister Carol, each own one-third of the property.

"We like the island life," observed Nancy Munger. "There are generations of people there. We're into the fifth and sixth generation of friends."

John Ruckmick, a Star Island neighbor who lives most of the year in Evergreen, Colorado, has spent 72 summers on the island. His parents vacationed there in the late 1920s when his mother was pregnant with him, and John started coming to Star Island the very next year. Ruckmick figures he was between five and seven years old when he first met Charlie. The two boys played together when island families gathered for picnics. "He exhibited his character early," said Ruckmick, laughing at the memory. "He was assertive!"

Returning to the island each year once he grew up was not easy for Charlie, especially after he moved to California in the mid-1940s and spent the next two decades raising a large family and trying to establish a financial foothold.

"We started going to the island when I was around three or four," remembered Molly. "In the early days, sometimes we would fly to Omaha and then drive up to the island. Wendy flew with my mother because she was young enough to sit in my mother's lap. Once I went on a train with Teddy and Daddy. It took a long time. I had red sandals."

When there was a little more cash, the family flew from California to Minneapolis then got to the lake the best way they could figure out. "We sure took some weird flights to save money," said Wendy. "We split up. The older kids went on a Greyhound bus. It was a dramatic sign that times had changed when we all started to fly from Minneapolis to Bemidji—a big shift."

To Charles Munger, Jr., summers at the lake were a time when the family had their father's full attention. "Up here we went fishing. We were always making fires. The rest of the year we didn't see him much."

Now, said Wendy, "we all try to be there together, usually seven of the eight children, or at least six of the eight. It is crucial to our well-being," "We all want to be there at the exact same week. We had to buy up property on the shore to make room."

When the Munger clan gathers there in late July or in August, there can be nearly three dozen people living in the assortment of Munger cottages. Because it is difficult to store enough food for that many people in the small kitchens, the Munger children take turns boating across Cass Lake for daily shopping excursions. The food bill invariably runs more than \$300 per day. The family takes delight in finding fresh lake fish or a reliable supply of locally-harvested wild rice, or in bringing home 100 ears of fresh corn, bought from a farm truck parked along the road.

As nearby cottages came up for sale, Charlie bought them—starting with the house dubbed "Munger West." Later third and fourth cottages farther along the shore were acquired. In 1999, the Munger children communicated by telephone, fax, and e-mail to plan, build, and furnish a "great room," which allows family and friends to gather in one place for meals and games.

The original main house, "Munger East," has doubled in size since Charlie's father bought it. A guest house equipped for use by a disabled person later was built with ramps and other devices to accommodate Charlie's sister Mary, who in the late 1980s succumbed to Parkinson's disease. Eventually a boathouse with an apartment over the top was added, then a tennis court, and in 1999, a more substantial dock that Charlie designed himself.

A sign over the front door of the main house reads "Anglers' Rest," a name taken from one of Charlie's favorite books by P.G. Wodehouse, demonstrating Charlie's devotion to both Wodehouse and fishing. Before the house was remodeled, the upstairs walls, more partitions than anything, didn't go all the way to the ceiling. Molly lay in bed at night hearing her father in his own bedroom chuckling as he read stories about Wodehouse's zany character, Bertie Wooster.

The Mungers may be on vacation at Star Island, but they don't forget the companies that made all this comfort possible. Much of the furniture that wasn't originally in the cabins was purchased from a Berkshire-owned furniture store in Omaha, The Nebraska Furniture Mart, and shipped to the lake. It was floated out to the island on a barge owned by

Munger. Gillette toiletries are stocked in the bathrooms and the refrigerators are loaded with Coca-Cola, both companies in which Berkshire has substantial ownership.

With the extra cottages came more docks and boats. There are now thirteen boats, including fishing dinghies, two Mark Twains, a Stingray, and a catamaran sailboat. The Star Island boats, said Molly Munger, are a constant source of vexation, since family members live thousands of miles away most of the year and the boats are untended and in “various stages of disrepair.”

The upkeep on the houses is especially daunting, since Charlie and Nancy also own homes in the Hancock Park district of Los Angeles, in Santa Barbara, Newport Beach (California), and in Hawaii. A local businesswoman, Ann Cramer, has for 25 years supervised the Munger property in Minnesota, taking a hand in overseeing what seems like never-ending construction and remodeling projects.

For Charlie, the childhood memories are essential to who he is, but even without the memories, he might keep coming back for the fishing. By any measure, Munger is a fervent and determined angler.

“Charlie would fish in a rain barrel,” said King Williams, a friend of Munger’s who is captain of a huge sailboat that Munger built and keeps in Santa Barbara.

Cass Lake is one of a series of lakes that stretch north, and each lake has nooks and backwaters where, according to local lore, bass, muskie, and possibly walleye are most likely to bite. On the eightieth birthday of a Star Island neighbor, J.D. Ramsey of Des Moines, Iowa, Munger chided his friend about his fishing habits, which sound like Munger’s own:

“I have seen a lot of peculiar fishermen in my life who, like me, are willing to suffer to fish in promising water,” Munger wrote in a tongue-in-cheek tribute to Ramsey. “But only J.D., wearing the hair-shirt that duty requires in his unflagging conception, sees the whole point of fishing as the welcome opportunity to carry small boats through swamps and otherwise suffer in reaching fishing that is selected partly for its difficult access and partly for the difficulty of encountering any fish.”²

Barry Munger explained that just as his father is a patient investor, he also is an extremely patient fisherman. “He tries to find the best technique day in and day out and will stick with that lure, or whatever, even if others on the boat are having better success with something else. At one time he was dedicated to a chartreuse jig, day in and day out. I guess it works, but if I’m out on a day when the fish aren’t taking that, I will try every color in the tackle box.”



Charlie and his son Barry on Star Island.

Munger's attitude about fishing is revealed in the story he once told when musing on the gullibility of many investors:

This fishing tackle manufacturer I knew had all these flashy green and purple lures. I asked, "Do fish take these?" "Charlie," he said, "I don't sell these lures to fish."³

DAVID BORTHWICK, MUNGER'S STEPSON, said it was at Star Island that he realized Buffett played an exceptional role in their lives. "In 1963 or 1964, Warren came up and stayed a few days in August. Normally father would have dispatched Hal [David's older brother] to pick someone up. Father went himself. That was a clue that this was an important guest."

But it was Buffett's second visit to Star Island that has become legend among Buffett followers. It was the occasion on which Munger nearly drowned his business partner.

"I went up with Rick Guerin," said Buffett. "His wife had died. He had a boy. We thought it would be a good idea if they got away."

John P. "Rick" Guerin, Jr., was at the time chairman of the Los Angeles-based brokerage firm Mitchum, Jones and Templeton. He also served as chairman of the New America Fund, in which Munger was a major shareholder. Guerin is a street-smart, physical fitness buff who wears dark glasses, open-collared silk shirts, looks suspiciously like he works in the film industry, and in fact he now owns his own film company. The most unlikely member of the stolidly conventional Munger-Buffett circle, Guerin nevertheless, has been a longtime business associate.

Guerin said his first wife Ann used to call Charlie and Warren and (Los Angeles attorney) Chuck Rickershauser his master group. Ann committed suicide in 1980. "It was obviously traumatic," said Guerin. "Warren and I were talking about it a few days later and about the effect of the death of a loved one on a child. Patrick was eight years old."

Warren suggested to Rick that the three of them join Charlie and his family, who were on their annual pilgrimage to Cass Lake. Guerin was welcomed by Munger, who himself had suffered a tragic and untimely death in the family.

"We hung out," recalled Guerin. "We played bridge."

And naturally, Munger took his pals fishing.

"Charlie insisted on driving the boat. I offered, but he insisted," said Guerin. There are several different versions of what happened next, but generally, the story goes this way:

"It was a calm day. We were out a mile or so," said Buffett. "Rick and I were talking away."

In an effort to reach a better casting position, Munger put the boat's motor in reverse.

"Suddenly," said Guerin. "I looked down and I'm in the water. We were going backward and water was flowing over the gunnel."

Guerin yelled at Charlie, who replied, "I'll take care of that." Charlie then put on full power, but still in reverse. The boat sank. Both Guerin and

Buffett were underwater for a few moments before they popped up side by side. "Warren's eyes were as big as his glasses," said Guerin.

The borrowed boat, explained Charlie, was not designed so as to keep the water from rushing in when the boat was going backward. Buffett is athletic, but he is not a highly skilled swimmer.

"I had to help Warren. The story has been a little stretched," admitted Guerin. "We *know* Warren was going to live with or without me. I've often said since, if he were in real trouble, I'd have made a deal before I helped him get a life preserver. *I'd* have been chairman of Berkshire Hathaway!"

That mishap, concluded Guerin, is why Charlie's friends sometimes call him Admiral Munger. Despite the misadventure, Guerin says that the time he spent at Cass Lake that summer was an invaluable first step in his recovery from grief. He says it showed him that Munger and Buffett were more than just business associates.

"Warren gave me the greatest gift he could possibly give: Three days of his time. And Charlie gave that, too. We try to be realistic and smart and logical all the time, but there is another side to it."

The way Buffett reacted to the boating accident was typical of the business relationship between him and Munger. "Even when I took him fishing in Minnesota and upset the boat and we had to swim to shore, he didn't scream at me," said Munger.⁴

One of Munger's children noted, however, that the ill-fated fishing trip was the last time Buffett ever joined the family at Cass Lake.

Munger said there was another reason Buffett never returned: "After dunking him in the lake, we tried to cheer him up by making him watch a bunch of high school students perform Moliere in a Bemidji tent." Moliere, even if delivered professionally, is not Buffett's style.