



Warren Buffett Gives Nod to TSX Stocks

Description

Investors of all stripes invaded Omaha, Nebraska, this past weekend for the **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) annual meeting. Among the topics covered by Warren Buffett and Charlie Munger in their usual kitschy style was the American healthcare system and the Republican's plan to repeal and replace Obamacare.

From all the meeting transcripts I've read, it's evident the boys from Berkshire Hathaway give socialized medicine a ringing endorsement.

"Medical costs are the tapeworm of American economic competitiveness," Buffett said May 6. "That is a problem this society is having trouble with and is going to have more trouble with."

That's not good news if you're an American or an American business. Munger went further: "A benign despot would create a single payer system with people being able to opt out into private care that was a little faster or a little fancier like all of Europe and Canada," he said in an interview prior to the meeting with Yahoo Finance's Andy Server. "I think you young people will live to see a healthcare system that looks a lot like Canada's with a better private opt out system. I won't (Munger is 93)."

That's good news if you're a Canadian or a Canadian company.

Forget the middle class

Buffett didn't directly come out and say it, but he might as well have, because his comments, along with those of his vice chairman, made it obvious they were not fans of the Republican's designs on healthcare.

He's especially outraged by the fact that his taxes would go down under the American Health Care Act (AHCA), suggesting the AHCA will lower taxes for anyone earning more than \$250,000.

“The net effect of that act is that my federal income taxes would have gone down, down 17%, last year,” Buffett said at the annual meeting. “It’s a huge tax cut for guys like me. That means one of two things: either the deficit goes up, or someone else’s taxes do.”

So, no matter what you think of Prime Minister Trudeau, his plan for the country seems far more helpful to the middle class than whatever it is that Trump is selling to Americans.

Buy Canada, buy TSX

I have always wondered why more American businesses don’t expand into Canada for precisely the reasons Buffett and Munger mentioned at Berkshire Hathaway’s annual meetings.

In 2015, U.S. healthcare spending was US\$9,990 (\$12,500 Canadian) per person, accounting for 17.8% of America’s GDP. In 2016, Canada spent \$6,299 per person, or 11% of our GDP.

So, if you open a factory in Canada with 1,000 jobs, the healthcare cost is absorbed by your employees and the various levels of government and costs the system \$6.3 million annually to provide those workers with healthcare. In the U.S., the company and staff take up much of the expense, and it costs the system \$12.5 million annually, or twice as much.

Now, I get that this is an oversimplification of the issue. Virtually every other expense a Canadian company must absorb is generally higher north of the border — real estate and leasing costs as well as wages being the biggest — but it definitely points out a huge advantage in doing business in Canada as opposed to the U.S.

Companies such as **Alimentation Couche Tard Inc.** (TSX:ATD.B) and **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) understand this, and that’s why they’re headquartered here as opposed to in the U.S.

Sure, QSR’s reasons have more to do with lower corporate taxes, but healthcare is still a reason for it to remain north of the border, even after the U.S. lowers its corporate income taxes.

Bottom line

You might not realize it when you plunk down your money to buy Couche Card or QSR stock, but our healthcare system is a big reason the two old guys from Berkshire Hathaway think a single-payer system is the way to go.

Take advantage of this built-in edge over our American counterparts and buy TSX companies. For once, home-country bias makes sense.

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