



Warren Buffett: Getting Help From the Government

Description

The pandemic has savaged the global economy in several different ways. Like the airlines, some sectors are suffering as a direct consequence of the pandemic and travel restrictions that are in place to contain it. Many other sectors are suffering because consumer psychology and trends have changed.

Many businesses will not survive the pandemic. A lot of large-cap organizations might need government intervention to see them through the harsh waters. Small-scale sole proprietors might be in even bigger trouble. Because when all other avenues to raise capital fail, that's the last entity businesses might look towards. And the government does help, even if not all the businesses and not all of them equally, but to keep the economy rolling, the government does help out businesses in need.

That raises a question: Does Warren Buffett's **Berkshire Hathaway** really need the government's monetary help?

What's common between Berkshire Hathaway and some Canadians?

Warren Buffett is getting help from the government; it's an absurd notion, to say the least. He is one of the few people who are actually capable of helping the government out, not the other way around. If [Warren Buffett](#) makes good use of the cash pile his company has been sitting on, he can keep the lights on for many failing businesses and keep the economy rolling.

So, why is he getting a backstop from the government? Well, the Fed has been buying up bonds and shares of a lot of businesses, as a way of keeping the stock market propped up and to keep things rolling. Though there is no stipulation with these purchases that the organizations abstain from drastic measures like laying off their staff to cut costs, it's one of the rationales behind this buying frenzy; not many people believe it's justified.

One thing that's common about the situation here at home and across the border is that in an effort to help the right businesses, the Fed also helped businesses that didn't need the handout, like Berkshire

Hathaway. Similarly, when CRA started distributing CERB payments, the goal was to reach the neediest, even if it was at the cost of many people abusing the system and benefiting from CERB when they didn't even need it.

Buffett and utilities

In the late 1990s, Buffett commented that utilities were a "good business" but would never be a "great one." By this, he meant that they will probably never see huge skyrocketing growth, they should earn dependable returns over the years. One such TSX stock is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), a nine-year-old Dividend Aristocrat.

Last year, the company gave out over 800,000 connections in the country, and the U.S. and had total assets of \$11 billion. As for the energy portfolio, the company has 774,010 solar panels, 713 wind turbines, and 55 hydroelectric generators. The five-year plan is to push production to 1.4 GW.

The company offers a juicy yield of 4.8%, covered under a sustainable payout of 76%. It also [offers a very](#) desirable (five-year) CAGR of 19%. In your TFSA, this rate is enough to turn just one year's contribution (\$6,000) to about \$190,000 in two decades. The company has already recovered from its crash in March, and it's now trading for \$17.7 per share. If another crash comes, it will push the price down to an even more desirable number and increase the dividend yield.

Foolish takeaway

Getting help from the government is only morally and ethically desirable when you truly need it and you have exhausted all other options. In the case of Buffett, he didn't ask for help, and the Fed bought the bonds that were already available in the market. It may not have done much for Berkshire Hathaway, but many people agree that the money would have been better utilized in companies that actually needed it.

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Author

adamothonman

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