



Warren Buffett's Annual Salary Is Shockingly Low

Description

Warren Buffett's conglomerate, **Berkshire Hathaway**, is one of the world's biggest companies. The legendary investor is the CEO and chairman of the US\$577 billion company and currently the fifth richest person in the world. However, his compensation is measly compared to the CEOs of big corporations.

The annual average salary of **S&P 500** CEOs in 2019 is nearly US\$15 million. But would you believe that since 1980, Buffett's pay is only \$100,000 a year? He recommends to Berkshire's board of directors what his salary should be, and the amount is the same for several decades now.

Executive compensation

While Buffett receives a moderate base salary compared to others, he is for incentivizing CEOs to deliver long-term success for their companies. He believes, however, that massive annual salaries, bonuses, and short-term stock options encourage short-term thinking.

In his 2007 [letter to shareholders](#), Buffett describes executive compensations as irrational and excessive. The GOAT of investing clarified in 2014 that disclosing salaries of executives is not necessarily ideal. It could create an arms race and drive CEO compensations through the roof.

Buffett believes transparency has a drawback. Disenchantment could set in if executives look at somebody else's salaries even though their pay is already enormous. He said once that paying well is correct, but it should be less for anything short of exceptional performance.

One-person compensation committee

At Berkshire Hathaway, Buffett is a one-person compensation committee. He decides alone on the CEOs' salaries and incentives under his business empire's significant operating businesses. He boasts that virtually none of his many CEOs left for other jobs.

Based on SEC filings, Berkshire's vice-chairman and Buffett's right-hand man, Charlie Munger, has received the same salary for years. There was no salary explosion for both through the years. The highest compensation Buffett ever received was \$525,000 in 2010. He was paid \$100,000 in salary, \$75,000 in directors' fees, and had a budget of \$350,000 for security.

Attention to clean energy investments

People watch [Buffett's every move](#). In his most recent letter, the Oracle of Omaha notes the diminished appeal of the bond market in 2021. He prefers stocks, including the buyback of Berkshire shares.

Notable, too, is topic of clean energy. Buffett sees the need for a massive energy makeover. Berkshire Hathaway Energy, a collection of local utility companies, operates in the U.S. Midwest and West. For Canadian investors, a \$5.44 billion renewable company from Calgary is an exciting green energy stock.

TransAlta Renewables ([TSX:RNW](#)) is Canada's largest generator of wind power. In North America, it owns one of the largest wind portfolios. The primary focus is to build a pipeline of renewables in the home country, Australia, and the United States.

If you're looking for value plus a long growth runway, consider TransAlta. Wind is the fastest-growing among all renewable energy sources. The company currently owns and operates 23 wind farms. Besides the wind, it has 13 hydro facilities, seven natural gas plants, and one each in solar and natural gas pipeline. If you invest today (\$20.44 per share), this green energy stock pays a 4.78% dividend.

Modest living

Warren Buffett's Berkshire derives significant savings on CEO compensation. He owns approximately US\$100 billion of his company's stock. However, you won't see him drive a luxury car or live a lavish lifestyle.

CATEGORY

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2. Investing

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