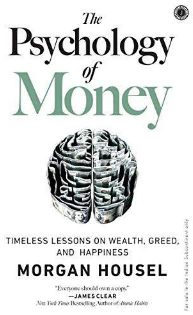

kindle

YOUR KINDLE NOTES FOR:

The Psychology of Money

by Morgan Housel

Free Kindle instant preview: https://read.amazon.com/kp/kshare?asin=B08FHZ5L47&ref_=k4w_nn_export_file

54 Highlights

Highlight (Yellow) | Location 52

> The premise of this book is that doing well with money has a little to do with how smart you are and a lot to do with how you behave. And behavior is hard to teach, even to really smart people.

Highlight (Yellow) | Location 93

> that financial success is not a hard science. It's a soft skill, where how you behave is more important than what you know. I

Highlight (Yellow) | Location 94

> The aim of this book is to use short stories to convince you that soft skills are more important than the technical side of money.

Highlight (Yellow) | Location 125

> The more I studied and wrote about the financial crisis, the more I realized that you could understand it better through the lenses of psychology and history, not finance.

Highlight (Yellow) | Location 169

> The challenge for us is that no amount of studying or open-mindedness can genuinely recreate the power of fear and uncertainty.

Highlight (Yellow) | Location 188

> Not intelligence, or education, or sophistication. Just the dumb luck of when and where you were born.

Highlight (Yellow) | Location 259

> But the entire concept of being entitled to retirement is, at most, two generations old.

Highlight (Yellow) | Location 286

We all do crazy stuff with money, because we're all relatively new to this game and what looks crazy to you might make sense to me. But no one is crazy—we all make decisions based on our own unique experiences that seem to make sense to us in a given moment.

Highlight (Yellow) | Location 346

Years ago I asked economist Robert Shiller, who won the Nobel Prize in economics, "What do you want to know about investing that we can't know?" "The exact role of luck in successful outcomes," he answered.

Highlight (Yellow) | Location 508

There is no reason to risk what you have and need for what you don't have and don't need.

Highlight (Yellow) | Location 513

But it's one of the most important. If

Highlight (Yellow) | Location 515

money, more power, more prestige— increases ambition faster than satisfaction. In that case one step forward pushes the goalpost two steps ahead. You feel as if you're falling behind, and the only way to catch up is to take greater and greater amounts of risk.

Highlight (Yellow) | Location 517

Modern capitalism is a pro at two things: generating wealth and generating envy. Perhaps they go hand in hand; wanting to surpass your peers can be the fuel of hard work. But life isn't any fun without a sense of enough. Happiness, as it's said, is just results minus expectations. 2.

Highlight (Yellow) | Location 530

A friend of mine makes an annual pilgrimage to Las Vegas. One year he asked a dealer: What games do you play, and what casinos do you play in? The dealer, stone-cold serious, replied: "The only way to win in a Las Vegas casino is to exit as soon as you enter." That's exactly how the game of trying to keep up with other people's wealth works, too.

Highlight (Yellow) | Location 644

There are books on economic cycles, trading strategies, and sector bets. But the most powerful and important book should be called Shut Up And Wait. It's just one page with a long-term chart of economic growth.

Highlight (Yellow) | Location 717

> Compounding only works if you can give an asset years and years to grow. It’s like planting oak trees: A year of growth will never show much progress, 10 years can make a meaningful difference, and 50 years can create something absolutely extraordinary.

Highlight (Yellow) | Location 769

> A barbelled personality—optimistic about the future, but paranoid about what will prevent you from getting to the future—is vital.

Highlight (Yellow) | Location 788

> The number of forecasters who predicted any of those recessions rounds to zero.

Highlight (Yellow) | Location 794

> But you need short-term paranoia to keep you alive long enough to exploit long-term optimism.

Highlight (Yellow) | Location 880

> Napoleon’s definition of a military genius was, “The man who can do the average thing when all those

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Highlight (Yellow) | Location 884

> But most of the time today is not that important. Over the course of your lifetime as an investor the decisions that you make today or tomorrow or next week will not matter nearly as much as what you do during the small number of days—likely 1% of the time or less—when everyone else around you is going crazy.

Highlight (Yellow) | Location 953

> THE HIGHEST FORM of wealth is the ability to wake up every morning and say, “I can do whatever I want today.”

Highlight (Yellow) | Location 973

> Six months’ emergency expenses means not being terrified of your boss, because you know you won’t be ruined if you have to take some time off to find a new job.

Highlight (Yellow) | Location 1104

> Singer Rihanna nearly went bankrupt after overspending and sued her financial advisor. The advisor responded: “Was it really necessary to tell her that if you spend money on things, you will end up with the things and not the money?”

Highlight (Yellow) | Location 1168

> Personal savings and frugality—finance’s conservation and efficiency—are parts of the money equation that are more in your control and have a 100% chance of being as effective in the future as they are today.

Highlight (Yellow) | Location 1194

> Think of it like this, and one of the most powerful ways to increase your savings isn’t to raise your income. It’s to raise your humility.

Highlight (Yellow) | Location 1200

> You can spend less if you desire less. And you will desire less if you care less about what others think of you. As I argue often in this book, money relies more on psychology than finance.

Highlight (Yellow) | Location 1219

> what we can’t measure we tend to overlook.

Highlight (Yellow) | Location 1324

> Here’s one: Let me suggest that you love your investments. This is not traditional advice. It’s almost a badge of honor for investors to claim they’re emotionless about their investments, because it seems rational.

Highlight (Yellow) | Location 1372

> Richard Feynman, the great physicist, once said, “Imagine how much harder physics would be if electrons had feelings.” Well, investors have feelings. Quite a few of them. That’s why it’s hard to predict what they’ll do next based solely on what they did in the past.

Highlight (Yellow) | Location 1396

> Fifteen billion people were born in the 19th and 20th centuries. But try to imagine how different the global economy—and the whole world—would be today if just seven of them never existed: Adolf Hitler Joseph Stalin Mao Zedong Gavrilo Princip Thomas Edison Bill Gates Martin Luther King I’m

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Highlight (Yellow) | Location 1426

> This is not a failure of analysis. It’s a failure of imagination.

Highlight (Yellow) | Location 1527

> There is never a moment when you’re so right that you can bet every chip in front of you.

Highlight (Yellow) | Location 1539

Benjamin Graham is known for his concept of margin of safety. He wrote about it extensively and in mathematical detail. But my favorite summary of the theory came when he mentioned in an interview that

Highlight (Yellow) | Location 1541

“the purpose of the margin of safety is to render the forecast unnecessary.”

Highlight (Yellow) | Location 1639

The biggest single point of failure with money is a sole reliance on a paycheck to fund short-term spending needs, with no savings to create a gap between what you think your expenses are and what they might be in the future.

Highlight (Yellow) | Location 1694

Charlie Munger says the first rule of compounding is to never interrupt it unnecessarily.

Highlight (Yellow) | Location 1713

Aiming, at every point in your working life, to have moderate annual savings, moderate free time, no more than a moderate commute, and at least moderate time with your family, increases the odds of being able to stick with a plan and avoid regret than if any one of those things fall to the extreme sides of the spectrum.

Highlight (Yellow) | Location 1748

“Every job looks easy when you’re not the one doing it.”

Highlight (Yellow) | Location 1821

Same with investing, where volatility is almost always a fee, not a fine.

Highlight (Yellow) | Location 1825

The trick is convincing yourself that the market’s fee is worth

Highlight (Yellow) | Location 1829

Find the price, then pay it.

Highlight (Yellow) | Location 1921

So much consumer spending, particularly in developed countries, is socially driven: subtly influenced by people you admire, and done because you subtly want people to admire you.

Highlight (Yellow) | Location 2015

And while few question or try to explain why the market went up—isn't it supposed to go up?—there is almost always an attempt to explain why it went down. Are investors worried about economic growth?

Highlight (Yellow) | Location 2017

Did the Fed screw things up again? Are politicians making bad decisions? Is there another shoe to drop? Narratives about why a decline

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Highlight (Yellow) | Location 2103

Maybe that's why it's so seductive. Expecting things to be bad is the best way to be pleasantly surprised when they're not.

Highlight (Yellow) | Location 2173

And there are so many financial opinions that once you pick a strategy or side, you become invested in them both financially and mentally. If you want a certain stock to rise 10-fold, that's your tribe. If you think a certain economic policy will spark hyperinflation, that's your side.

Highlight (Yellow) | Location 2181

Consider that 85% of active mutual funds underperformed their benchmark over the 10 years ending 2018.65 That figure has been fairly stable for generations.

Highlight (Yellow) | Location 2327

To each their own. But the foundation of, "does this help me sleep at night?" is the best universal guidepost for all financial decisions.

Highlight (Yellow) | Location 2366

Half of all U.S. mutual fund portfolio managers do not invest a cent of their own money in their funds, according to Morningstar.69 This might seem atrocious, and surely the statistic uncovers some hypocrisy.

Highlight (Yellow) | Location 2384

Charlie Munger once said "I did not intend to get rich. I just wanted to get independent."

Highlight (Yellow) | Location 2393

That stuck with me. Being able to wake up one morning and change what you're doing, on your own terms, whenever you're ready, seems like the grandmother of all financial goals. Independence, to me, doesn't mean

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Highlight (Yellow) | Location 2395

> you’ll stop working. It means you only do the work you like with people you like at the times you want for as long as you want.

Highlight (Yellow) | Location 2648

> The biggest difference between the economy of the 1945–1973 period and that of the 1982–2000 period was that the same amount of growth found its way into totally different pockets. You’ve probably heard these numbers but they’re worth rehashing. The Atlantic writes: Between 1993 and 2012, the top 1 percent saw their incomes grow 86.1 percent, while the bottom 99 percent saw just 6.6 percent growth. Joseph Stiglitz in 2011: While the top 1 percent have seen their incomes rise 18 percent over the past decade, those in the middle have actually seen their incomes fall. For men with only high-school degrees, the decline has been precipitous—12 percent in the last quarter-century alone. It was nearly the opposite of the flattening that occurred after the war.