

Why smart people make bad decisions with money

Upcoming episode

Money is not a sum – it is behaviour. A walk through the ideas in Morgan Housel's *The Psychology of Money*: luck and risk, compounding, why keeping money is harder than making it, and why freedom is the real return.

THE BOOK THIS EPISODE IS ABOUT

The Psychology of Money – Morgan Housel

2020

MAIN TOPICS

- Why money is about behaviour more than arithmetic
- Luck and risk – the two forces we underestimate most
- Compounding, and why time beats returns
- Getting wealthy and staying wealthy are two different skills
- Why a few large outcomes decide the result
- Freedom as the real return
- Wealth is what you do not see
- Saving without a specific goal
- Room for error, and why volatility is the price you pay

QUESTIONS THIS EPISODE ANSWERS

- Why do smart people make bad decisions with money?
- What is the difference between getting wealthy and staying wealthy?
- Why is compounding so powerful?
- How much should you save?
- How do you tell luck from skill in finance?
- Why are we never satisfied even when we earn more?
- What does Housel mean by wealth being what you do not see?
- Why is volatility the price of returns rather than a penalty?

KEY POINTS

- Financial decisions are decided by behaviour, not by arithmetic.
- Getting wealthy and staying wealthy take opposite traits: risk and caution.
- Compounding rewards time more than it rewards high returns.
- A handful of your decisions account for nearly the whole result.
- The best return money gives is control over your own time.
- Volatility is the price of returns – not a fee you can avoid.

SOURCES AND REFERENCES

- Morgan Housel – The Psychology of Money (2020)

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