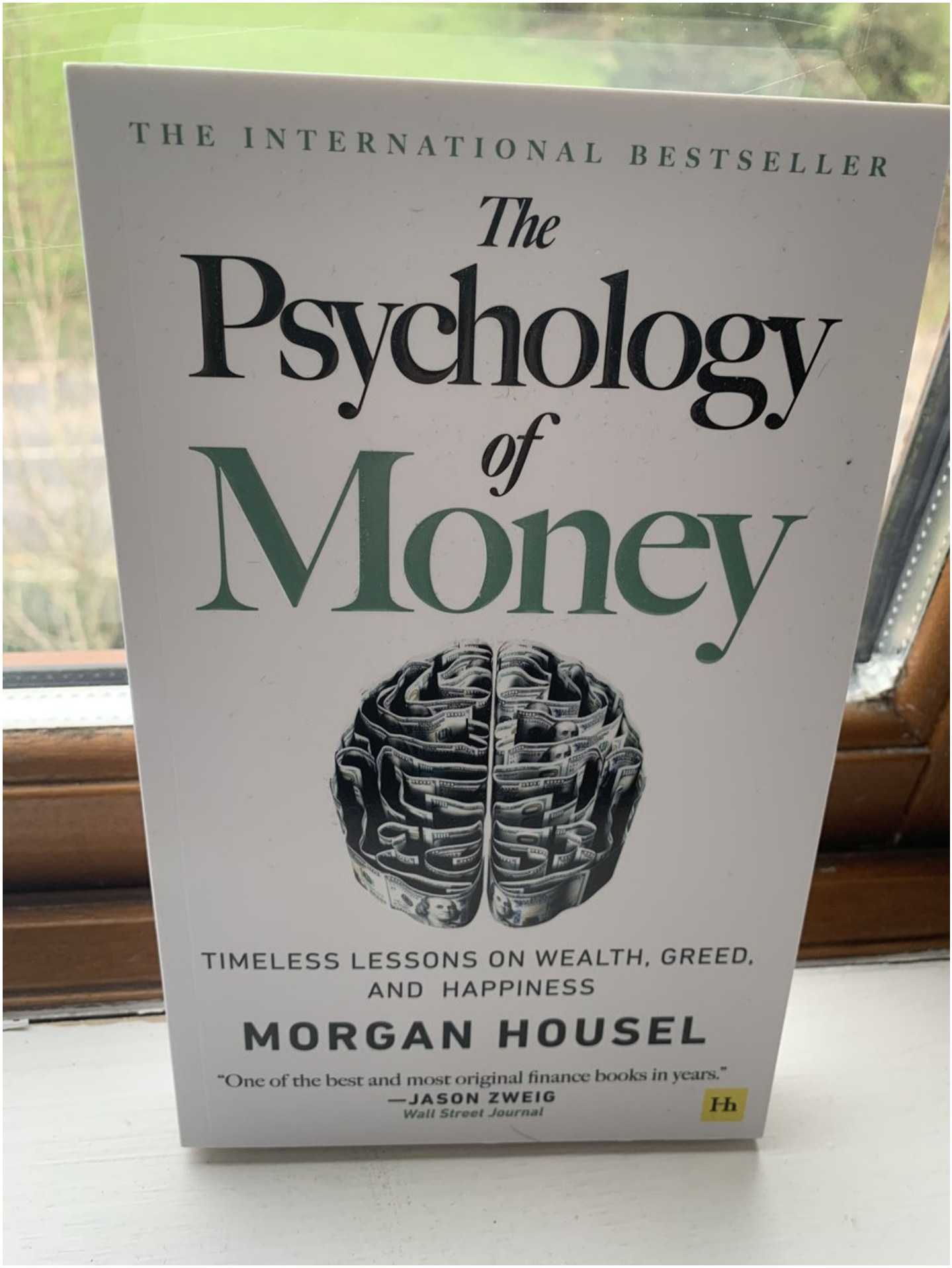
# Twitter Thread by Financial Freedom Wizard

**Financial Freedom Wizard**
@FinFreeWizard



**19 Lessons From "The Psychology of Money"**

**A book by @morganhousel**




@morganhousel This book really had a big impact on me.

It's great for beginner and advanced investors.

And even anyone that wants to do better in life with money.

Truth is it's not that complicated.

@morganhousel 1. Skills Needed

Financial success is a soft skill.

How you behave is more important than what you know.

You don't have to be a genius to be successful with money.

@morganhousel A Janitor that invested consistently through life ended up with $8m upon retiring.

On the other hand a highly educated CEO went broke in the 2008 Financial Crisis.

Why?

One wasn't trying to outsmart the market while the other was constantly trying to.

@morganhousel 2. No One's Crazy

We make money decisions based on our own unique experiences.

These decisions make sense to us in a given moment.

If you live through a period of high stock market returns it seems normal to put your money in stocks.

@morganhousel If you live through a bad period you put your money in something else.

Low income American households spend $412 on lottery tickets each year when 40% of Americans can't come up with $400 in an emergency.

People conform to what seems normal behaviour around them.

@morganhousel 3. Luck & Risk

Nothing is as good or as bad as it seems

Bill Gates went to one of the only high schools in the world that had a computer.

Your environment and circumstances play a huge role in your life.

@morganhousel Success is a lousy teacher, it seduces smart people into thinking they can't lose.

Failure happens even when the right decisions were made.

We should not get too caught up in the outcome as the difference between success and failure can be marginal.

@morganhousel 4. Never Enough

Rich people that can't get enough do crazy things.

To make money they don't have and don't need, they risk what they do have and do need.

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

@morganhousel 5. Compounding

$88bn of Warren Buffet's $101bn net worth came after his 65th birthday

Investing is his skill but time is his secret.

Good investing is about earning pretty good returns that you can stick with over the long term.

Don't disrupt it if you can.

@morganhousel 6. Staying wealthy

Good investing is about consistently not screwing up.

Keeping money requires the opposite of taking risk.

Investors need to be optimistic about the future but paranoid about what might prevent them from getting to the future.

@morganhousel 7. Tails

You can be wrong half the time and still make a fortune.

It's ok for Amazon to lose a lot of money on the Fire Phone because it will be offset by something like Amazon Web Services that earns tens of billions.

Most of the returns on an Index can come from few stocks

@morganhousel 8. Freedom

The ability to do what you want, when you want, with who you want, for as long as you want, is priceless.

Time is the highest dividend money pays.

Compared to prior generations people have less control of their time contributing to lower happiness levels.

@morganhousel 9. Possessions

No one is as impressed with your possessions as much as you are.

When we see someone driving a Ferrari we don't think the driver looks cool, we think how cool we would look with one.

Humility, Kindness and respect will bring more respect than possessions.

@morganhousel 10. What you don't see

Spending money to show people how much money you have is the fastest way to lose money.

The world is filled with people who look modest but are actually wealthy and people who look rich but are actually at the edge of insolvency

@morganhousel 11. Save

Savings is the gap between your ego and income.

Savings can be created by spending less.

You can spend less if you desire less.

You will desire less if you care less about what others think about you.

High savings rates result in wealth sooner than a lower rate.

@morganhousel 12. Being Reasonable

Reasonable investors who love their technically imperfect strategies have an edge, because they are more likely to stick with them.

The historical odds of making money in US markets are 50/50 in 1 day, 68% in 1 yr, 88% in 10 yrs, and so far 100% in 20 yrs.

@morganhousel 13. Surprise!

Things that never happened before happen all the time.

The correct lesson to learn from surprises is that the world is surprising.

History can be a misleading guide to the future of the economy and stock market as it doesn't account for structural changes.

@morganhousel 14. Room for Error

Plan for your plan not going according to plan.

Margin of safety is the only effective way to safely navigate a world that is governed by odds, not certainties.

Few financial plans that prepare for known risks have a margin of safety to survive real world.

@morganhousel 15. You'll Change

Long-term planning is harder than it seems because people's goals and desires change over time.

What you'll want in the future is likely to shift.

Avoid the extreme ends of financial planning.

If thing change destroy your old plan and implement a new one.

@morganhousel 16. Compounding - Price of Admission

Successful investing looks easy when you are not the one doing it.

Market volatility is the fee you pay to get access to long term returns.

The trick is to convince yourself that the price is worth it.

@morganhousel 17. Different Strategies

Beware taking advice from people playing a different game than you are.

When investors have different goals and time horizons, prices that look silly to one person can look fine to others.

@morganhousel A successful day trader might think the price of a stock looks good because they are thinking about 1 day returns.

But others are thinking over 5 years.

It's not like basketball where players are playing by same rules.

@morganhousel 18. Seduction of Pessimism

Optimism sounds like a sales pitch.

Pessimism sounds like someone is trying to help you.

Progress happens too slowly but setbacks happen quickly.

@morganhousel Stocks rising 1% is barely reported while a 1% fall is the lead story written in capital letters in blood red.

That's how many are spooked and sell their shares when there's bad news around.

The media uses pessimism to persuade you out of compounding.

@morganhousel 19. Believe Anything

Stories are more powerful than statistics.

The more you want something to be true, the more likely you are to believe a story that overestimates the odds of it being true.

We fill in the gaps of the world we don't understand with our own narrative.

@morganhousel If you enjoyed this thread then RT the first tweet and follow me:

@finfreewizard

For more financial freedom value.

PS I'll be doing one book summary a week.