

Twitter Thread by Vidya



Vidya

[@VidyaG88](#)



1/31

My takeaways from the best seller

#ThePsychologyOfMoney by [@morganhouse1](#)

**It beautifully encapsulates , via chapters , the most under rated factor in investing -
The Psychological aspect of it .**

Do read the book :)

#BookRecommendations

#booklovers

The Psychology *of* Money



TIMELESS LESSONS ON WEALTH, GREED,
AND HAPPINESS

MORGAN HOUSEL

“Everyone should own a copy.”

—JAMES CLEAR

New York Times Bestselling Author of *Atomic Habits*

For sale in the Indian Subcontinent only

What we experience early on (in our adult life) is more compelling than what we learn second hand, which is why each person thinks about #Risk & #Reward DIFFERENTLY.

In theory we SHOULD make our investments based on OUR goals & options available.

1.

No One's Crazy

Your personal experiences with money make up maybe
0.00000001% of what's happened in the world, but
maybe 80% of how you think the world works.

Time left in book: 3 hrs 51 mins

5%

However we tend to include our unique experiences of how the world works (albeit with incomplete information) which might seem crazy to others .

* Spreadsheets cannot replicate human emotions which is why no amount of studying can make one truly UNDERSTAND the underlying.

4/31

CHAPTER 2

#LUCK & #RISK both play a role for EVERY outcome along with individual effort. At times making a greater impact than the consequential actions taken .

This we ought to remember when judging others' financial success.

Not ALL SUCCESS is due to hard work.

2.

Luck & Risk

Nothing is as good or as bad as it seems.

5/31

Likewise, NOT ALL POVERTY is due to laziness.

To learn from successful people, we must focus on BROAD PATTERNS & not on specific individuals (for we often tend to just study extreme cases at both ends of the spectrum.)

It's never AS GOOD or AS BAD as it seems !!

6/31

CHAPTER 3

An important chapter IMHO

Having the sense of HOW MUCH is enough & learning WHEN to stop is of paramount importance because there is NO END to wanting more.

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

~ Buffet

3. Never Enough

When rich people do crazy things.

7/31

*The hardest financial skill is getting the goalpost to stop moving.
Perpetual increase of wants shall only result in recklessness ahead .

* Avoid Comparison.

* Certain things SHOULD NOT be risked in the quest for a gain .

Be it reputation , values, friends or happiness.

8/31

CHAPTER 4

Good investing isn't necessarily about earning the highest returns (mostly one off).

It's about earning GOOD returns CONSISTENTLY over LONG periods of time .

The secret ingredient in Investing for compounding to work its magic is #TIME .

4.

Confounding Compounding

\$81.5 billion of Warren Buffett's \$84.5 billion net worth came after his 65th birthday. Our minds are not built to handle such absurdities.

SURVIVAL MINDSET being the key over growth, brains or insight .
What we DON'T DO HERE matters equally.

5.

Getting Wealthy vs. Staying Wealthy

Good investing is not necessarily about making good decisions. It's about consistently not screwing up.

10/31

* Inorder to let compounding do its job one needs to ensure that the process is UNINTERRUPTED.
For this one must provide such, that during ill times liquidity is ensured.

*Plan taking into account UNCERTAINTY. Make room for error (MOS) & plan REALISTICALLY.

11/31

* SHORT TERM paranoia is needed to keep one alive long enough to exploit long term optimism.

Being sensibly optimistic about the Long Term whilst accepting a bumpy road now & then is much needed.

12/31

CHAPTER 6

#FAILURE IS NORMAL.

One CAN'T be right all the time.

An investor can be wrong HALF the time & still make a fortune (unlike a pilot wherein perfection is a pre requisite)

Tails drive everything ,whereby it's normal for lot of things to go wrong.

ACCEPT IT.

6. Tails, You Win

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

Time left in book: 2 hrs 49 mins

28%

13/31

CHAPTER 7

The highest dividend that money can pay is the ability to give you CONTROL over YOUR time .

From retiring when YOU want to, to taking a FLEXIBLE job with LESSER hours..

Having money ensures we FREE UP our time to FOCUS on what we really desire .

7. Freedom

Controlling your time is the highest
dividend money pays.

Time left in book: 2 hrs 58 mins

33%

GET RID OF THAT FALLACY ASAP !

In reality respect is EARNED by being humane.

Humility , kindness & empathy shall bring in more respect than horsepower shall ever will .

8.

Man in the Car Paradox

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

Time left in book: 2 hrs 30 mins

37%

There is a difference between having a high income & being wealthy.

Wealth is INCOME NOT SPENT.

It being hidden, makes it difficult for imitation. It's difficult to learn from what you can't see & hence wealth creation is achieved by a handful.

9. Wealth is What You Don't See

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

16/31

CHAPTER 10

A high savings rate is a must for wealth creation .

Yes, high earnings definitely help, but beyond a point high savings matter more .

Spend less .

Desire less .

Care less about others' opinion.

Intangible benefits of money are much under appreciated.

10. Save Money

The only factor you can control generates
one of the only things that matters.
How wonderful.

Time left in book: 2 hrs 25 mins

40%

For the math works on paper, being a rational strategy .

But it is often UNREASONABLE & hence impossible for humans to adhere to , given our emotions.

11. Reasonable > Rational

Aiming to be mostly reasonable works
better than trying to be coldly rational.

The past isn't in any way the road map for the future. It does offer some guidance at best.

*One can never predict about what shall move the needle the most.

* CHANGE is the only constant . The world is evolving so rapidly that disruption is the new norm .

12. Surprise!

History is the study of change, ironically
used as a map of the future.

Always plan keeping some room for error because there is a decent chance that you might be wrong .

Good ideas taken too far become indistinguishable from bad ones.

A MOS helps us navigate a world of uncertainties - viewing things as Grey helps .

13. Room for Error

The most important part of every
plan is planning on your plan not
going according to plan.

20/31

The biggest gains happen infrequently. To enjoy it one needs to HOLD the stock for long ,which only a person with room for error can .

Use it for estimating your future returns also .

Evaluate cost of upside vs downside always.

Avoid single points of failure .

21/31

CHAPTER 14

Things change. Priorities change.

Thereby our goals & desires too change . We underestimate HOW MUCH this shall happen .

This makes long term planning a lot more difficult .

AVOID extreme ends of financial planning & ACCEPT the reality of our changing minds.

14.

You'll Change

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

Time left in book: 1 hr 40 mins

58%

Every job looks easy when we are not doing it as the underlying challenges are often invisible to us .

One must learn to take volatility as the fee (not as a fine) we pay to earn our returns from the market .
Embrace it . Find the price and then pay it .

15. Nothing's Free

Everything has a price, but not
all prices appear on labels.

Time left in book: 1 hr 33 mins

61%

CHAPTER 16

Price of every asset class is subjective.

It all depends on the investors goal & time horizon on hand. Hence what price seems ridiculous to one makes sense to the other.

Profits are always chased no matter what the valuations are

izing that it's an admission fee worth paying.

There's no guarantee that it will be. Sometimes it rains at Disneyland.

But if you view an admission fee as a fine, you'll never enjoy it.

16.

You & Me

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

mostly because they are irrelevant to the game being played by the short term market participants.

The damage is done when LONG TERM INVESTORS TAKE CUES FROM SHORT TERM TRADERS.

Invest as per YOUR risk appetite,time frame, philosophy & goals and STAY THE COURSE.

25/31

CHAPTER 17

Somehow we hold greater value for pessimism & get easily influenced by it ,for it sounds smarter & more plausible than optimism.

Optimists don't think that everything will be great but they know that the odds of good outcome will be in their favour in the L.T.

17.

The Seduction of Pessimism

Optimism sounds like a sales pitch. Pessimism
sounds like someone trying to help you.

Time left in book: 1 hr 17 mins

68%

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.

Simply put : There are many things in life that we think are true BECAUSE we desperately WANT them to be true.

18. When You'll Believe Anything

Appealing fictions, and why stories are
more powerful than statistics.

27/31

Everyone has an incomplete view of the world. But we form a complete narrative to fill in the gaps.

We focus on what we know & neglect what we don't know, which makes us overtly confident in our beliefs and funnily each one of us has our own mental model system.

28/31

CHAPTER 19

To sum it all up

- *Less ego.

- * Adopt simple living ,high thinking .

- *Be humble when right & forgive yourself when wrong.

- *Sound sleep at night triumphs everything else.

- *Hold for long term to reap benefits.

- * Always Save . Expenses crop up unexpectedly.

19. All Together Now

What we've learned about the psychology
of your own money.

Time left in book: 48 mins

80%

29/31

- *Nothing worthwhile is free .Be ready to pay up.
- *Avoid being at the extreme ends of Financial decisions.
- *Accept risk but be paranoid of ruinous risk.
- * There is no right way .No single right answer.Respect the varied opinions .Agree to disagree.
- * Keep room for error.

30/31

CHAPTER 20

*Find out what works for you . Stick to it .

*Keep one's expectations in check and live below one's means .

*Cash is also a position.

* Index funds work best if direct stock picking ain't your forte.

* No need to be brilliant or the best investor in town.

20. Confessions

The psychology of my own money.

31/31

Just try not to be the worst or do anything stupid, for ultimately the goal of Financial Independence should not be at the cost of one's sleep .

* THE END *

@dmuthuk

@position_trader

@FI_InvestIndia

@RichifyMeClub