46 PEAKS
INVESTMENT ADVISORY GROUP

Money. It's a Gas.

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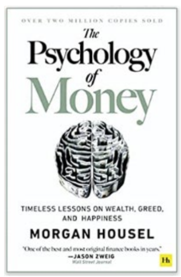
Money. It's a gas. Money. Keep your hands off of my stack. Money. It's a hit. Don't give me that do goody good bull$$$$. Money. It's a crime. Share it fairly, but don't take a slice of my pie. Money. So they say. Is the root of all evil today.



Nearly 50 years ago, Pink Floyd's classic song "*Money*" spoke to the addictive, polarizing, and emotional characteristics of Money. While you won't hear anything about it on the radio, two years ago, accomplished author Morgan Housel released a classic book called "*The Psychology of Money*". It's since sold over one million copies and has been translated to over 45 languages. It is full of timeless, insightful, and important morsels on wealth, greed, and happiness. We've culled it to the following quotes and key lessons and added some of our own commentary from the team at 46 Peaks (identified with a icon).

*"**Luck and Risk are siblings**…They are so similar that you can't believe in one without equally respecting the other… Every outcome in life is guided by forces other than individual effort."* (It can be uncomfortable to recognize the role that luck plays in our lives, but it does. That's reality. But remember the old adage – "*The Harder I work; the Luckier I get.*" And when your portfolio is soaring to new highs, don't get too confident. Conversely, during periods of declines, don't beat yourself up.)

*"Equally **smart people can disagree** about…how you should invest your money, what you should prioritize, how much risk you should take, and so on."* (In Finance, there is no "best", or one size fits all approach. It's important to learn about and understand money, reflect on the tradeoffs involved, identify your own priorities, and follow a plan and strategy that works for <u>you</u>.)

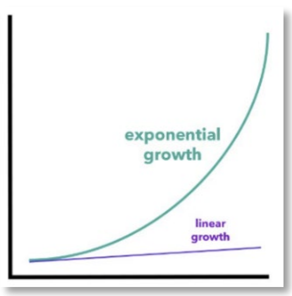
*"The trick when dealing with failure, is arranging your financial life in a way that **a bad investment here and a missed financial goal there won't wipe you out** so you can keep playing until the odds fall in your favor."* (At the right time, and in the right amount, very aggressive investing may be appropriate. But it must be sized appropriately. Be very, very careful of leverage and overconcentration. Avoid margin.)

*"If you risk something this is important to you for something that is unimportant to you, it just does not make any sense. There is **no reason to risk what you have and need for what you don't have and don't need**"* – Warren Buffett. (This is a real gem. And it applies to not just investment risk but other things as well – health, friendships, and career.)

*"The **hardest financial skill is getting the goalpost to stop moving**. But it's one of the most important…there is **no logic in (constantly) striving for <u>more</u>**…Modern capitalism is a pro at two things: generating wealth and generating envy. Life isn't any fun without a sense of <u>enough</u>. Happiness, as it's said, is just results minus expectations."* (This is critical to a happy life and relationship with money. It requires us all to avoid the trap of "the more you make, the more you spend" and forget about "keeping up with the Joneses.")

*"There are **many things never worth risking, no matter the potential gain**…Reputation, Freedom and Independence, Family and Friends, Being loved by those who you want to love you."* (Prioritize these things, not the accumulation of things. But of course, money is an important source of Freedom and Independence.)

*"Warren Buffett's skill is investing, but his secret is time. That's how compounding works. Linear thinking is so much more intuitive than exponential thinking. If I ask you to calculate 8+8+8+8+8+8+8+8+8 in your head, you can do it in a few seconds (it's 72). If I ask you to calculate 8x8x8x8x8x8x8x8x8, your head will explode (it's 134,217,728). **Good investing isn't necessarily about earning the highest returns. It's about earning pretty good returns that you can stick with, and which can be repeated for the longest period of time. That's when compounding runs wild**."* (Invest early. Keep investing. Don't shoot for the moon with your investment strategy. Don't panic and sell after a large decline. Our robust investment approach is designed to inspire the confidence needed to stick with an investment program for decades and reap the rewards of compounding.)

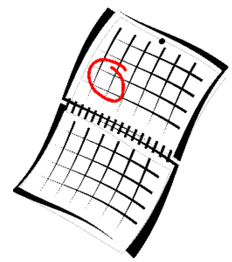


*"Good investing is not necessarily about making good decisions. It's **about consistently not screwing up**. If I had to summarize money success in a single word, it would be 'survival'."* (This is not a sexy idea, but it's true. Sometimes "boring is beautiful".)

*"Getting money and keeping money are two different skills. Keeping money requires the opposite of taking risk. It requires **humility**, and fear that what you've made can be taken away from you just as fast."*

*"**Planning is important**, but the most important part of every plan is to **plan on the plan not going according to plan**."* (You must have a plan. Without a clear plan, you are a ship at sea without an engine or sails. But assuming you won't achieve your plan is critical, as it requires you to build in flexibility, and prepares you mentally to adjust as needed.)

*"Napoleon's definition of a military genius was, 'The man who can **do the average thing when all those around him are going crazy**.' 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."* (There's a lot to unpack here; it's critical to truly understand your tolerance for volatility and align your portfolio accordingly. But to also avoid checking your portfolio balances too frequently and tune out the negativity that dominates the "news" during periods of market weakness.)



*"More than your salary. More than the size of your house. More than the prestige of your job. The **ability to do what you want, when you want, with who you want, for as long as you want, is priceless**. It is the highest dividend money pays. **Money's greatest intrinsic value** – and this can't be overstated – is its ability to give you **control over your time**."* (This is the key - keep in mind that it's not necessarily about having a lot of money. It's also about maintaining a lifestyle that is modest enough <u>in relation to</u> the money that you have, whatever that amount is.)

*"Spending money to show people how much money you have is the fastest way to have less money. **No one is impressed with your possessions as much as you are**."*

*"**Wealth is what you don't see**. Wealth is the nice cars not purchased. The diamonds not bought. The watches not worn, the clothes forgone, and the first-class upgrade declined. **Wealth is financial assets that have not yet been converted into the stuff you see**. When most people say they want to be a millionaire, what they might actually mean is 'I'd like to spend a million dollars.' And that is literally the opposite of being a millionaire"* (When you see someone who appears 'rich', think about it - all you know is what they've spent their money on. Maybe it's all on credit? You have no idea how much they have saved. It

would shock you to know how many people who appear 'rich' from the outside have very little savings and a lot of debt. Conversely, there are many people who live in modest houses and drive modest cars who have millions. Who is likely to be happier?)

"Personal savings and frugality…are parts of the money equation that…have a 100% chance of being effective. Since you can build wealth without a high income but have ***no chance of building wealth without a high savings rate****, it's clear which one matters more."*

*"****Saving money is the gap between your ego and your income****…One of the most powerful ways to increase your savings isn't to raise your income. It's to raise your humility. People with enduring personal finance success – not necessarily those with high incomes – tend to have a propensity to not give a damn what others think about them."*

*"****You don't need a specific reason to save****. Saving does not require a goal of purchasing something specific. You can* ***save just for saving's sake****. And indeed you should. Every bit of savings is like taking a point in the future that would have been owned by someone else and giving it back to yourself."* (Too many people save for their retirement in their 401(k), save through home equity, and spend the rest on luxury. This is one of the biggest personal finance mistakes that we see. It's not just a nice-to-have, it's critical, to save after-tax money outside of your house and your retirement accounts.)

"You're not a spreadsheet. You're a person. A screwed up, emotional person. ***Do not aim to be coldly rational*** *when making financial decisions. Aim to just be pretty reasonable."* (See the earlier point. There is no "best". Remember, perfection is the enemy of good.)

"History…is often used by investors and economists as an unassailable guide to the future. History…is, not in any way, a map of the future. ***Realizing the future might not look anything like the past is a special kind of skill*** *that is not generally looked highly upon by the financial forecasting community."* (This is important. Most financial articles reference historical analogues. It's somehow comforting to us. Uncertainty, and the likelihood that the future will not resemble the past keeps us at 46 Peaks constantly learning and open minded, and injects critical flexibility into our investment process.)

"Margin of safety-you can also call it ***room for error*** *or redundancy-is the only effective way to safely navigate a world that is governed by odds, not certainties. You can plan for every risk except the things that are too crazy to cross your mind. And those crazy things can do the most harm, because they happen more often than you think, and you have no plan for how to deal with them."* (Your financial plan should be robust enough so that if you come up short, you'll still be ok. Have an emergency savings bucket.)

"Successful investing looks easy when you're not the one doing it. (But) ***successful investing demands a price…Its currency is not dollars and cents. It's volatility, fear, doubt, uncertainty, and regret*** *– all of which are easy to overlook until you're dealing with them in real time."*

"Investors often innocently take cues from other investors who are playing a different game than they are. ***Short-term traders operate in an area where the rules governing long-term investing - particularly around valuation - are ignored****, because they're irrelevant to the game being played. Bubbles do their damage when long-term investors playing one game start taking their cues from those short-term traders playing another. These two investors rarely even know that each other exist. But they're on the same field, running toward each other. When their paths blindly collide, someone gets hurt.* ***Few things matter more with money than understanding your own time horizon and not being persuaded by the actions and behaviors of people playing different games than you are****."* (Short-term trading is not for the faint of heart, the inexperienced, the undisciplined, or the part-timers. Ignore the short-term noise.)

"***Growth is driven by compounding, which always takes time****.* ***Destruction is driven by single points of failure, which can happen in seconds****, and loss of confidence, which can happen in an instant."* (While often overlooked, this is potentially one of the greatest values that an advisor can provide – to keep an investor from making really bad decisions in an instant that can undermine decades of savings and planning.)

"***Manage your money in a way that helps you sleep at night****. Some people won't sleep well unless they're (seeking) the highest returns; others will only get a good rest if they're conservatively invested. Every investor should pick a strategy that has the highest odds of successfully meeting their goals"* (We follow a process designed to help us and our clients – from conservative to aggressive – sleep at night. This requires diversification, constant learning, flexibility, and a willingness to adapt and evolve, since we realize that the future may look nothing like the past.)

"If you want to do better as an investor, the single most powerful thing you can do is ***increase your time horizon. Time is the most powerful force in investing****. It makes little things grow big and big mistakes fade away."* (I know it's hard, but don't check your portfolio often. And don't watch the market every day. What the market did today or does tomorrow is not important, and a potentially stressful distraction from what is.)

We hope you've made it this far. These are important ideas. We encourage you to share this with your family and others that you care about. These timeless lessons can go a long way toward ensuring unusually successful financial results and a happier relationship with money and can help you avoid outcomes akin to just another brick in the wall of financial disappointment.