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On wealth, greed and happiness **6th July 2020**

"I was once asked, at a journalism conference, how I defined my job. I said: My job is to write the exact same thing between 50 and 100 times a year in such a way that neither my editors nor my readers will ever think I am repeating myself.

"That's because good advice rarely changes, while markets change constantly. The temptation to pander is almost irresistible. And while people need good advice, what they want is advice that sounds good."

- Jason Zweig, investment writer, *The Wall Street Journal*.

Warren Buffett began his investment career at the age of 10. By the time he was 30 he had a net worth of $1 million. He is now worth approximately $84.5 billion. Suppose he had had a more conventional upbringing and had started investing at the age of, say, 30, with a net worth of $25,000 – and that he still managed to generate annual returns of 22%, but then elected to retire at the age of 60 and hit the golf course instead. How much would he be worth today ? Not $84.5 billion. In fact, just $11.9 million. "His skill is investing, but his secret is time."

Now consider Jim Simons, head of the hedge fund group Renaissance Technologies. Simons has compounded money at 66% annually since 1988 (three times as much as Buffett). Simons' net worth stands at roughly $21 billion. If Simons had been in the game as long as Buffett, but with his own track record of returns, how much would he be worth today ? The answer is sixty-three quintillion nine hundred quadrillion seven hundred and eighty-one trillion seven hundred and eighty billion seven hundred and forty-eight million one hundred and sixty thousand dollars.

> These are ridiculous, impractical numbers. The point is that what seem like small changes in growth assumptions can lead to ridiculous, impractical numbers. And so when we are studying why something got to become as powerful as it has – why an ice age formed, or why Warren Buffett is so rich – we often overlook the key drivers of success.

These facts and observations are from Morgan Housel's new book, *The Psychology of Money*, and buying a copy will be one of the best investments you will ever make. It is full of good advice that also happens to sound good. Writing as someone who loves to share a cracking quote, *The Psychology of Money* will also keep this correspondent in business for months. As the title implies, it deals as much with the *crooked timber* of human nature as with the inevitably drier characteristics of financial markets themselves. Which is entirely as it should be. Analysts of the *homo economicus* school have had nothing sensible or interesting to say about the business of investing for years – all the running of late has been done by the behaviouralists. Take this gem from Napoleon, for example:

> A genius is the man who can do the average thing when everyone else around him is losing his mind.

If that quotation doesn't nail the market madness that is 2020, it would be difficult to find one that did.

Within its pages you will learn, or be reminded about, why nobody is ever actually crazy when it comes to money; that luck and risk play more of a role in successful investing than any of us would like to believe; that mastering the magic of compound interest grants godlike power.. Twenty chapters in all, each one crammed with zingers, spicy anecdotes and some lapidary prose. The greats – Warren Buffett, Benjamin Graham, Peter Lynch – all get name checked but are joined by a host of other personalities, all with something interesting to offer by way of insight into the human and investing condition. *The Psychology of Money* won't just make you a better investor, it may even make you a better human being.

To write engagingly about investment is almost impossibly hard, but Morgan Housel makes it look effortless. He has been ably assisted by editor Craig Pearce (with whom we had the pleasure of working on our own contribution to the genre, 2016's *Investing Through the Looking Glass*). Not a word idles and the pacing is terrific. This correspondent managed to dispatch its 240 pages in a handful of hours, and would be happy to read it all over again. *The Psychology of Money* is published by Harriman House on 8th September. We cannot recommend it highly enough.

Tim Price is co-manager of the VT Price Value Portfolio and author of 'Investing through the Looking Glass: a rational guide to irrational financial markets'. You can access a full archive of these weekly investment commentaries here. You can listen to our regular 'State of the Markets' podcasts, with Paul Rodriguez of ThinkTrading.com, here. Email us: info@pricevaluepartners.com.

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