

The Psychology of Money - One Pager

S/N	Behavioral Trait / Themes	Chapter References	Examples	Quotes	Learnings and Takeaways
1	Cognitive Biases & Mental Shortcuts	Chapter 18	<ul style="list-style-type: none"> - Dot-com bubble / Housing Crisis - "I knew it all along" - "This time it's different" - WhatsApp University! - OJ Simpson 	<ul style="list-style-type: none"> - "We need to believe we live in a predictable, controllable world, so we turn to authoritative sounding people who promise to satisfy that need". - "We tell ourselves stories about how the world works—not because they're true, but because they're comforting." 	<ul style="list-style-type: none"> - <u>Confirmation bias</u>: We favor information that supports our existing beliefs. - <u>Narrative bias</u>: We trust compelling stories over messy truths. - Resist the urge to seek comfort / certainty, especially in Finance - <u>Finance lives in probability</u>, not prediction. - Self-awareness - Be aware of your biases—challenge your thinking.
2	Overconfidence & the Illusion of Control	Chapters 2, 5 & 19	<ul style="list-style-type: none"> - Jesse Livermore - 1929 Trader - Gemansky - Real Estate - Stock loss - Bill Gates (Luck) & Kent Evans (Risk) - 'I've got this figured out' - "Trust me, I know it" 	<ul style="list-style-type: none"> - "Wanting to believe we are in control is an emotional itch that needs to be scratched, rather than an analytical problem to be calculated and solved. The illusion of control is more persuasive than the reality of uncertainty. So we cling to stories about outcomes being in our control." - "Luck and risk are two sides of the same coin." 	<ul style="list-style-type: none"> - Good times don't last forever—<u>plan for downturns</u>. - <u>Getting rich and staying rich</u> require different skillsets and mindset both - <u>Survival</u> is the foundation of long-term wealth—think in decades. - <u>Avoid concentrated investment</u> strategies, diversify - <u>Be paranoid</u> about what could go wrong, be realistic - <u>Avoid leverage</u> (debt / loan)—what works fast can also wipe you out faster. - Never confuse luck with skill—risk and randomness shape outcomes.
3	Greed & Not Knowing 'Enough	Chapter 3	<ul style="list-style-type: none"> - Rajat Gupta - Insider Trading - Bernie Madoff - Ponzi - Taking stock tips 	<ul style="list-style-type: none"> - "'Crime committed by those living on the edge of survival is one thing" - "'There is no reason to risk what you have and need for what you don't have and don't need." 	<ul style="list-style-type: none"> - Define "<u>enough</u>" up front by setting clear financial (and non-financial) goals. - Recognize that <u>unchecked greed</u> can wipe out years of disciplined saving. - <u>Practice restraint</u>—true strength lies in knowing when to stop. - <u>Define your purpose</u>, avoid chasing mindless, more money is rarely the answer. - Remember that economic concept of <u>Diminishing Marginal Utility</u> doesn't apply to money.
4	Envy, Social Comparison and the Need for Status	Chapters 1, 8, 16 & 18	<ul style="list-style-type: none"> - Valet driver - Ferrari - Keeping up with Jones - Insta / FB / X 	<ul style="list-style-type: none"> - "When you see someone driving a nice car, you rarely think, 'Wow, that person is cool.' Instead, you think, 'If I had that car, people would think I'm cool.'" - "Bubbles do their damage when long-term investors playing one game start taking cues from those playing a different game." - "The hardest financial skill is getting the goalpost to stop moving". 	<ul style="list-style-type: none"> - <u>Respect can't be bought</u>—it's earned through character, not wealth. - Build wealth, signal wealth less. - Spend because YOU like it, don't spend to impress strangers. - <u>Avoid copying</u> people playing different financial games. Operate within your <u>circle of competence</u>. - <u>Limit social media</u>—it amplifies FOMO and comparison. - Everyone's context is different—<u>no one's crazy</u>.
5	The Power of Compounding & Patience Short-Term Thinking & the Cost of Impatience	Chapters 4, 6, 15 & Intro	<ul style="list-style-type: none"> - Ronald Read - Rags to Riches - Warren Buffet - Fitness & Health 	<ul style="list-style-type: none"> - "His skill is investing, but his secret is time." - "If something compounds—if a little growth serves as the fuel for future growth—a Small starting base can lead to results so extraordinary they seem to defy logic." 	<ul style="list-style-type: none"> - <u>Time</u> is the most powerful driver of wealth—start early and stay the course. - Modest returns <u>sustained over long periods</u> beat high returns that don't last. - Compounding rewards <u>consistency</u>, not brilliance—don't interrupt it. - We're wired to think linearly, <u>not exponentially</u> - Volatility is the <u>cost of admission</u>—not a penalty. Zoom out. - <u>Patience</u> beats emotion—reacting to market noise kills long-term gains. - A few big wins (<u>tail events</u>) often make all the difference—let them run. - <u>Automate</u> your investing to protect it from impulse and overthinking.

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6	Saving is the Foundation of Wealth	Chapters 9, 10	<ul style="list-style-type: none"> - Ronald Reed - Live below means - Driving a modest car (post salary hike) - Avoiding luxury gadgets 	<ul style="list-style-type: none"> - "Wealth is what you don't see" - "We should be careful to define the difference between wealthy and rich. Not knowing the difference is a source of countless poor money decisions". - "The only factor you can control generates one of the only things that matters: your savings rate." 	<ul style="list-style-type: none"> - You <u>don't need a reason</u> to save—savings = optionality + survival. - Your savings rate matters more than your income level. - Savings are what build wealth—spending displays richness, not stability. - True wealth = <u>income minus ego</u> - <u>Wealth is invisible</u>; it comes from what you don't buy. - Being Wealthy vs Being Rich - Know the difference - Saving is an <u>act of restraint</u>—resisting instant gratification for long-term freedom. - <u>Expenses = Income - Savings</u> (Investments), <u>Income = Adding "value"</u> - <u>Avoid lifestyle inflation / creep</u>
7	<u>Reasonable > Rational</u> : Planning for a Messy Life	Chapters 11, 12, 13 & 14	<ul style="list-style-type: none"> - Morgan House - Loan pay-off - Choosing a less paying job - Index investing vs aggressive MFs - FDs vs Stock Markets 	<ul style="list-style-type: none"> - "You are not a spreadsheet, you're a person, a screwed up emotional person". - "Don't aim to be coldly rational, aim to just be pretty reasonable" - Surprise - "Things that have never happened before, happen all the time" - "Manager your money in a way that helps you sleep at night" 	<ul style="list-style-type: none"> - "<u>money decisions</u>" vs "<u>financial decisions</u>" - <u>Perfect plans are fragile</u>—reasonable ones survive real life. - Consistency > precision—don't optimize for best-case, optimize for durability. - <u>Emotionally safe plans are sustainable</u>; rational doesn't always mean right. - You don't need maximum returns—<u>you need peace of mind</u>. - Build in <u>margin of safety</u>—because surprise is the only constant. - <u>Good money decisions are personal</u>—they should reflect your personality, not just Excel models. - <u>Risk is what is left</u> after you have planned for everything.
8	Value of Freedom & Control	Chapters 7, 14	<ul style="list-style-type: none"> - Quitting a job - Saying no a toxic client - Switching careers 	<ul style="list-style-type: none"> - "Ultimate goal of money isn't luxury, it's control over your time." - "Controlling your time is the highest dividend money pays." 	<ul style="list-style-type: none"> - <u>Freedom is the real wealth</u>. - <u>Autonomy > luxury!</u> - Build financial flexibility to give yourself freedom and peace of mind. - <u>Use money to buy back your time</u>—not more stuff. - Time control = happiness. - Design a financial plan with built-in <u>optionality</u>—because your goals will evolve.