

# *Desiring What Doesn't Exist*

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Decision making in the financial world can be challenging. You have so much information coming at you so fast, it's difficult to process and think through all of it. But we can improve our financial thinking if we simply adhere to core principles relevant to every important area of life. When we internalize that core truths of business, relationships, and life are also applicable to investing and money management, we have an advantage. We're less likely to be persuaded by harmful mental errors that threatened our long-term wealth.

Clients, employees, colleagues, and myself – we're all prey to mental error. And one of the most common of these errors is the idea that a person can get something for nothing. Most people want the benefits before the work, the rewards without the risk. Given how much our society spends on lottery tickets, quick-fix diets, and the like, it shouldn't surprise us that our natural inclination is toward solutions that promise the benefit without the sacrifice.

Imagine you observe a person very skilled at what she does. She has become a master of her craft. There's a tendency for us to believe she's simply gifted. But we must be cognizant of what we do not see—years of experience, practice, preparation, long hours, and mistakes that built the skillset. Achievement in any endeavor doesn't just happen. Purpose, commitment, focused action, resilience, and repetition of tedious tasks—these are qualities that build success. Or as Carol Dweck put it, *"We like to think of our champions and idols as superheroes who were born different from us. We don't like to think of them as relatively ordinary people who made themselves extraordinary."*

This relates to investment and financial planning because, by default, we want the easy road. For whatever reasons, we desire the final product but not the toil it requires. This is my alternate definition of insanity: desiring what does not exist. The symptoms are as follows:

- Focusing on near-term returns rather than result over entire lifespan
- Looking at historical returns as an expectation for future returns (i.e. fixating on past results over the fundamental investment process)
- Unknowingly ignoring what we don't know – i.e. tax consequences, long-term income potential, downside risk, etc.

The signs are similar in managing a business. I speak with at least one person a week requesting benefits without sacrifice. In other words, they want us to pay up for their talents before they've developed those talents (or proven they have them). They want us to fund their idea, introduce them to our clients, or pay them a salary but not be held to measurable standards. All of this because people tend to overestimate their capacity (or the time needed to build a meaningful skillset), misunderstanding that they must first prove they have developed a skillset that adds value before they can be paid for it.

The point being the sooner we realize we cannot get something for nothing, the sooner we can begin to make real progress. In financial planning terms, we must realize: (1) we cannot reap the rewards without accepting some risk, (2) we cannot build true success without building a valuable skillset, and (3) we can only build a skillset by putting in the time and effort required.

*"Don't tell me how talented you are. Tell me how hard you work."* – Artur Rubenstein

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