



The Psychology of Money by Morgan Housel

Intro

The Oxford dictionary defines psychology as “the scientific study of the human mind and its functions, especially those affecting behavior in a given context”. In his book the Psychology of Money, Housel seeks to compare and contrast behaviors related to money, particular investing, and the potential outcomes of these behaviors.

About the author

As a two-time winner of the Best in Business Award from the Society of American Business Editors and Writers, and a former columnist for both the Wall Street Journal and The Motley Fool, Housel does an excellent job of explaining his concepts simply. He uses short stories, and real world examples, to make the point that the investors behavior is just as important as the investment.

What I liked

The book contains over 20 short chapters which makes it easy to pick up and read. Each chapter addresses a specific point that underpins the overall message of the book. Among other concepts, Housel addresses true wealth, how our perceptions of the world affect our investment decisions, the importance of consistency in our investment decisions, and the need to incorporate room for error when investing.

What I loved

Perhaps the most difficult part of investing is experiencing the down side of risk vs reward. Using real-life examples, Housel analyzes investors behaviors and makes suggestions

for how we can handle such an outcome. He has the ability to explain complex subjects in a simple manner and offers a fresh point of view on the highs and lows of investing. Also included are meaningful quotes such as “*A genius is the man who can do the average thing when everyone around him is losing his mind*” - Napoleon

What makes “The Psychology of Money” worth buying

There are two components to any investment: the asset and the investor. While there are countless books, websites, and blogs dedicated to asset evaluation there are relatively few on the investor themselves. Discussing the behaviors and actions of the investor and how those can potentially affect our investments is a very important subject for any long term investor. Housel also included an insightful and brief history of why the US consumer thinks and behaves the way they do.

Read “The Psychology of Money” if:

The Psychology of Money introduces concepts seldom heard in the investing community such as “The End of History Illusion”, the highest form of wealth, the role of pessimism, and the power of a good story. If you’re interested in evaluating your investing behaviors to improve your results, Housel’s book is an excellent resource.