

No one is crazy:

Comments by Nancy L. LaPointe

We are not crazy in our financial decision-making. Our experiences impact our decision process. This is the basis of the first chapter of the book "Psychology of Money" by Morgan Housel.

"Everyone has their own unique experience with how the world works. And what you experience is more compelling than what you learn second-hand. So, all of us---you, me, and everyone go through life anchored to a set of views about how money works that vary wildly from person to person. What seems crazy to you might make sense to me." as found on Page 11 of Psychology of Money by Morgan Housel.

This is not a new concept to me. What caught my attention was his presentation; his writing related to this concept was shared in a manner that is comfortably comprehensive.

We use our personal lenses to make our decisions; how can we expect to do otherwise? It's the world as we know it. Accepting that having a past that perhaps involved something like losing your home due to a recession, or a past where you wanted for nothing, has an impact on your decisions. It appears in how you save and spend, how you participate in purchasing insurance, how you handle your transportation needs, refinancing, and so forth. It appears in your willingness to move for a career, take a promotion, have children, buy lottery tickets, or a vacation property. I could go on and on. Someone who graduates in a recession experiences life differently than one who is offered a career position before they graduate in a time of a labor shortage.

That awareness (that your experience in the past has a direct collation to your financial decisions) can allow you to accept your and the world's current situation differently, allowing you to act differently than your base perception. It can allow you to make decisions that support you and your ability to sleep at night. Recognizing that we decide through our personal lenses, allows us to reflect on our reactions, to consider the pros and cons, and give logic and education consideration.

What I've shared here also explains why financial decisions can be so challenging. Our history and our perceptions are stronger than rationality, yet we are "told" to be logical in these decisions. When I work with my clients, they want to see the logic, the reality of their situation, and why the actions are needed. Taking actual action calls for a connection to their perception of the world. We cannot eliminate the impact of our beliefs based on our experiences. Otherwise, actions do not happen or are not maintained.

"Your personal experiences with money make up maybe 0.0000001% of what's happened in the world, but maybe 80% of how you think the world works." This is a quote from the Psychology of Money by Morgan Housel.

Today is not the world of our youth, of our mid-20s or 50's but, it can feel like it to us. Decisions are made depending on one's personal history. What was going on in the world that impacted us at age 7, 23, or 45?

As found on page 19 "What you're doing seems crazy but I kind of understand why you're doing it" uncovers the root of many of our financial decisions.

Navigate Financial Reflects on Psychology of Money by Morgan Housel

Morgan Housel wrote the Psychology of Money, published in 2022, to summarize his thoughts regarding 'timeless lessons on wealth, greed, and happiness'. He does an excellent job of using easily understood examples to explore emotional reactions associated with money and financial decisions. My colleagues and I have all read this book and enjoyed multiple discussions regarding the wisdom contained within it. We have enjoyed this exercise so much that we have decided to share some of our thoughts with you.

Our plan includes short summaries of salient points from the book, brief descriptions of our own experiences, and other things that may prompt reflections upon your own emotional reactions to money matters.

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