



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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Barking Up the Wrong Tree

I recently finished reading the book [Barking Up the Wrong Tree: The Surprising Science Behind Why Everything You Know About Success Is \(Mostly\) Wrong](#) by Eric Barker (4.5 stars). I thoroughly enjoyed it (as well as his book [Plays Well With Others: The Surprising Science Behind Why Everything You Know About Relationships Is \(Mostly\) Wrong](#)) and would like to share with you the paragraphs that I thought were the most compelling.

First Barker writes, "Our brains are wired to try to make sense of things....We need to think the world makes sense and that we have control. The brain doesn't like randomness.... Meaning, for the human mind, comes in the form of the stories we tell ourselves about the world....Having a story about the meaning of life helps us to cope with hard times....we can't *not* tell stories....You even tell stories when you sleep: dreams."

Barker continues, "For nearly every area of your life...you have a story you tell yourself about it. But rarely are these consciously or deliberately constructed....Stories are the invisible undercurrent that promotes success in a shocking number of the most important areas of life....Researcher John Gottman realized that just hearing how [a] couple told the tale of their relationship together predicted with 94% accuracy whether or not they'd get divorced....What's the best predictor of your child's emotional well-being?...whether a kid knew their family history...."

Here's something to keep in mind while consuming content from the financial media: “Neuroscience research shows that when an expert speaks, parts of your brain actually *shut down*: [a study] found that people will actually stop thinking for themselves when a person they perceive as an expert offers them advice or direction.” So when Jim Cramer tells you to buy a Big Pharma stock on CNBC, it's literally a no-brainer.

And here's something to be mindful of when investing. Barker writes, “But confidence can also be extremely dangerous...because [it] feels good. [It] makes us feel powerful. But plenty of research shows that when we feel powerful, it can be a slippery slope to denial and hubris.”

Barker quotes Richard Tedlow, a professor at Harvard Business School: “...what is striking about the dozens of companies and CEOs I have studied [for four decades] is the large number of them who have made mistakes that could and should have been avoided.... These mistakes resulted from individuals denying reality.” This is especially dangerous when you surround yourself with people who just tell you what you want to hear.

Barker writes that “Overconfidence is usually the mistake of experts, and we *do* give them a lot of power and authority....incompetence is frustrating, but the people guilty of it usually can't screw things up that bad. The people guilty of overconfidence can do much more damage.” Yes. This reminds me of the book [Hormegeddon: How Too Much of a Good Thing Can Lead to Disaster](#), which I recommend.

Now here's an interesting metric I plan to add to my massive stock-tracking spreadsheet: “Want to know which CEOs will run their company into the ground? Count how many times they use the word 'I' in their annual letter to shareholders. This is what [a] financial analyst discovered when she evaluated leaders and how their companies performed. Me, me, me means death, death, death for corporations. But when hubris takes over and you're self-absorbed, you can't see straight. What's worse is you're not aware of it. You're blind to your own blindness.”

Keep this in the back of your mind when deciding which politicians to support: “Across a staggering number of studies, feelings of power have very negative effects on a person's character. Power reduces empathy, makes us hypocritical, and causes us to dehumanize others....Studies show feelings of power cause us to be more selfish and more likely to commit infidelity. And we don't just lie more; that power also makes us *better* liars. Feeling like number one means we don't stress out about hurting others so we don't experience stress when we fib. Without those stress cues, it's harder for others to detect our deceptions. We succeed because we don't care about other people.”

Here's something to remember if you lose your job: “...happiness levels do not fully recover even after you get a new job. Being out of work can leave a mark that lasts a lifetime.” Probably because it sends a message to your brain that society doesn't need you.

Thinking about retiring? Consider this: “Retiring is associated with cognitive decline, heart disease and cancer. These effects weren't due to aging but because people stop being active and engaged.” This is why I plan to never retire.

The next time you visit Mark Zuckerberg's digital plantation, remember this: “For most of human existence, when we looked around us there were one or two hundred people in our tribe and we could be the best at something. We could stand out and be special and valuable. Now our context is a global tribe of seven-plus billion. There's always someone better to compare yourself to, and the media is always reporting on these people....”

Finally, something to consider when you plan your day: “Most of us use our calendars all wrong: we don't schedule work; we schedule interruptions [such as meetings, phone calls and doctor appointments]. You know what often doesn't get scheduled? *Real work*. All those other things are distractions. Often, they're other people's work. But they get dedicated blocks of time and your real work becomes an orphan....Shallow work stops you from getting fired—but deep work is what gets you promoted.”

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