



**Clare Lindeque**  
Head of Quantitative Analysis

An invaluable focus  
on finances

## November 2021's virtual CFA South Africa Conference

**N**ovember 2021's virtual CFA South Africa Conference featured Morgan Housel, author and venture capital partner, as guest speaker. I find conferences to be a good source of business and investment-related book recommendations that I might otherwise have missed while indulging my other interests, not least because hearing someone speak about a subject they're fascinated enough by to have produced a book on, is a joy and the best possible invitation to explore the subject further. Maria Mazzucato and Daniel Pink's books followed me home from the 2019 CFA Conference, and in the same spirit I was curious to read Morgan Housel's debut, *The Psychology of Money*.

This is a tremendously useful and accessible book, and everyone should read it. I do not say that lightly. Housel manages to cover a remarkable number and range of important subjects in just over 200 pages, and almost no matter what your experience with personal financial management is, he has something to offer.

Despite the financial sector hoovering up some of the finest minds of each generation, there is little evidence that, collectively, we are better investors for it. Humans have made astonishing progress in almost every field of endeavour (for a recent, real-world example, look no further than the life-saving Covid-19 vaccines that were developed in record time, using existing technology that had been awaiting its moment to shine). But we remain stubbornly indifferent at saving, retirement planning, and debt management. Housel believes that these shortcomings are because we have failed to attend to the financial challenges of life with sufficient psychological focus.

The psychological aspects of how we relate to money, and how these are influenced by our emotions, our early life experiences and upbringing, are often neglected in favour of expending effort on spreadsheets, calculations and developing investment strategies. Basic numeracy – the ability to confidently calculate a percentage change, for example – is something that is essential for success in many areas of life, not just personal finances (and of course far more is expected from those who make their living as financial advisers or investment managers), but we disregard the “softer” aspects of financial planning at our peril.

These gentle lessons Housel encourages us to learn include some of the things you were told growing up, but didn't believe: that not everyone who appears wealthy, is; that luck is an enormous factor in determining who does well and who doesn't; and that wealth is the ability to spend your time in ways that serve you and bring you satisfaction. You know enough, now, to see the truth in those ideas. He also covers concepts such as risk and volatility, compounding, decision making, and dealing with failure.

Housel's book takes the form of twenty short chapters, or stories, about what we do with our money – the mistakes we make, and how to do better. Each chapter is framed around an instructive story about an investor, scientist, economist, entrepreneur, or other character, some largely unknown. He provides ample historical context for why things are the way they are, both in the world, and in our heads. His writing style is simple (several reviewers call it “crisp”, which is apt) and entertaining. He concludes with a chapter on how he manages his own finances,

providing a fascinating case study of a successful investor who is, at the same time, not a Jim Simons or a Warren Buffett, but a relatively ordinary individual.

This is a short read with a potentially huge payoff, if you are willing to devote sufficient psychological focus to it. □

Clare joined M&G Investments in 2007 and is the Head of Quantitative Analysis. With 19 years of industry experience, she has worked in a range of roles spanning quantitative analysis, marketing and web development. Clare holds a Master of Science degree in Financial Mathematics from the University of Cape Town, a Financial Risk Manager certification from the Global Association of Risk Professionals and is also a CFA charterholder.