

EPISODE 769

[INTRODUCTION]

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FT: Can money buy happiness really? Welcome back to So Money, everyone. I'm your host, Farnoosh Torabi. We're talking to the hero finance expert and author Brian Portnoy. Brian is the author of the new book, *The Geometry of Wealth: How to Shape a Life of Money and Meaning*. Talking about how money might not be the source of happiness, but it can definitely fund contentment.

Brian is currently the Director of Investment Education at Virtus Investment Partners and he has spent the last 25 years as an educator, an investor and strategist. He holds a doctor from the University of Chicago and coming up his three-step method for achieving true wealth; it involves shapes, and how much money is really enough money for you, for me?

Here is Brian Portnoy.

[INTERVIEW]

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FT: Brian Portnoy, welcome to So Money. It's great to have you here and congratulations on your latest book, *The Geometry of Wealth*. Can't wait to dig in.

[0:01:39.8]

BP: Thank you. It's great to be here.

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FT: You have spent much of your career helping people understand how to best put their money to work, so that they can be fulfilled and find fulfillment, and for lack of a better word become happy. We don't often want to correlate money decisions with happiness. At the end of the day, money is a very powerful tool to bring us the satisfaction and the fulfillment that we all seek in life, but it's not such a simple thing to figure out.

You wrote this book, because you obviously have a lot of professional experience around this, but this was also, I read a personal draw. What was it from your personal life that made you so interested in how to shape a life of money and meaning?

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BP: Well, I've got a wife and three little kids, well maybe not so little anymore, but 11, 14 and 15-years-old. As I try to be a better father to them and try to provide guidance, and I look out into the world, needless to say things are changing very quickly. 15, 20 years ago Google wasn't a thing, so I fold forward 15 or 20 years and I think geez, what are my kids going to do and how can I move them in the right direction? There's a good chance that the industries that they'll work in years from now don't even exist today, so how do you provide good advice in that circumstance?

The personal motivation for the geometry of wealth was trying to get – come up with the framework about how money fits into a happy life, and not just investing, but your career and saving and spending behavior. Bring that together in a way that's going to be accessible to them and not technical.

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FT: One of the distinctions that you make in your book is rich versus wealthy. Can you explain why it's important to make that differentiation, because we often – those words are very interchangeable to many of us, myself included.

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BP: Right. I do try to – that's the first big a fork in the road, rich versus wealthy. I wanted to create the distinction between having more money and finding happiness, or even joy, or contentment in life. To me, rich is having more money; accumulating either more money per se, or the things that money can buy. What I've seen in my own studies and research and in my workflow in the field of behavioral finance is that psychologists have demonstrated, social psychologists, neuro-scientists as well, have demonstrated that as you accumulate more and more, you don't necessarily become happier.

They have something in the literature an awkward phrase called the hedonic treadmill, which basically says that we become accustomed to everything in life. Even as you get a higher salary, even as you buy that nicer car, as you go in that better vacation, the psychic benefits of those things fade relatively quickly. However, the brain is wired for two different forms of happiness. One is that short-term day-to-day, but the other a longer-term sense of is my life going okay, it's what I call in the book reflective happiness.

You step back and reflect upon your life. For me, pivoting from rich to wealthy; wealthy is the ability to underwrite a life of meaning however you choose to define that. The book walks through a lot of the nuances are that and we can get into the details, but to me to be rich is just to have more, which does not have the benefits many people think it does. To be wealthy is to engage in what I'll call funded contentment, the ability to afford the things that really stoke that deeper sense of joy.

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FT: I do want to get into the specifics with you, and what you mean by the geometry of well, I think it's really fascinating and I love that it it's very simple. Listeners, you're in for a simple exercise. I want to touch on what you said earlier about this concept of accumulation. What is enough? How do we arrive at “enough?” I'm going to ask a very, I think big question, but one that I think is on a lot of people's minds, especially when they think about retirement, or even current life. Do I need to really make more than what I'm making now? I just wanted to ask that, because that to me was also a huge question mark.

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BP: Yeah. It's a great question and it's one that I still grapple with. I write about the concept of enough throughout the book, but I'll admit, I don't think I'm entirely figured that out. I'll make a couple comments. The first is that the concept of enough is meaningless, unless you've taken a little bit of time to think about what your deeper sources of contentment are. Okay, and we're going to maybe get into what those are, but they're related to your social connections and being good at your job and a few other things.

You can't really think about what enough is until you have some destination and some plan to get there. The tough thing and why I still struggle with the idea, even well after having finished this book is that we've got two impulses that are deeply wired in our brain. We have an impulse for more. We want to push forward, we want to grow. Especially American consumers and workers with college education, we want higher, we want better, we want to be faster, and that's great. As I said in some cases, more doesn't produce great things.

In other cases, it's just part of being live and being aspirational and it's a wonderful thing. More is not – it is a four-letter word, but it's not always a bad thing. There's also this instant, or enough that sense of presence, stillness. We can even talk about mindfulness. We get great joy in being able to savor what we have, versus what we might have in the future. More versus enough really aren't reconcilable at any moment in time. There's two different modes of thinking, and I've come to believe that there's a rhythm between the two, between more and enough that each of us, if we really want to push forward on leading a happier life, we need to come to terms at which point we want more and which point we're going to settle for enough in the good sense.

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FT: Maybe it's that you have an aspiration for more in certain parts of your life, and then you have fullness and contentment and others, so that maybe the trick is to identify the areas that you want to continue pushing to get more. I don't know, maybe, because then, I think otherwise, it could be very overwhelming, sometimes even depressing.

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BP: It is. It is. There are plenty. The American Psychological Association came out just a few years ago and showed conclusively that by far and away, money is the most stressful topic in people's lives. It's an overwhelming topic. It's one of the reasons I love what I do for a living, which is trying to simplify the complex world of money. Part of the challenge and I don't get into this too much in the book, but it's there, which is that we live in a comparative world, where we're judging ourselves relative to others, so often that quest for more overwhelms the satisfaction of enough, because we look across the street, or we look down the hall at work and we see things that make us feel like we haven't done enough.

I will hypothesize and speculate, and I think you've talked about this with your other podcasts. Social media isn't the healthiest thing for many of us as we look at airbrushed and polished lives of others. It's very hard to be satisfied with what you have, when it appears that everybody is moving forward.

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FT: You called your book *The Geometry of Wealth*. You used actual shapes to help us understand how to achieve a life of meaning, a life of money and meaning, and you use a circle, a triangle and a square. Can you walk us through that a little bit? Then I want to ask you about all your personal financial musings, but would really like for you to describe that for us, because I think it's so valuable.

[0:10:50.9]

BP: Yeah. The name of the game is simplification. All right, so I think about the conversations I have in my money life, both personally and professionally, and there's a two-step, a routine. First, we want to go from complex to simple. Then we want to go from simple to easy. It's not hard to convince anyone that the world of money is complex. Look at water, capital markets and how quickly they move, you turn on CNBC, Bloomberg Television, you'll have 30 data points in front of you moving quickly. It's really quite overwhelming and our brains were not wired to processed this type of information. Our brains developed more than a 100,000 years ago to focus on other things.

The key is simplification, cutting through the noise and capturing what matters. What I wanted to do with the geometry of wealth is basically come up very simple narratives that someone can remember. They can put it on the back of a business card and just keep it in their wallet and appreciate that. In my view, there's only three steps that are necessary toward achieving true wealth, meaning that ability to write a meaningful life, or funded contentment. We need to think about our purpose. We need to set broad priorities, and then we need to make tactical decisions.

What I do in the book is go into details on each of those. The reason I assign a circle to thinking about our purpose is that we know that we're never done, protagonist of a book, but I think in my life generally is the adaptive self. We're always trying to figure stuff out. There's the old why, and that everybody has a plan until they get punched in the face, right? We are always adapting to new environments, both good and bad. The circle represents that journey.

The triangle presents the priorities sides, big priorities. Then we have the square, which simplifies investment decision-making and boils down our investment decisions to four main principles, or four main issues. One of them is the growth potential we find in our investments. The second is the emotional pain of holding those investments through thick and thin, through the ups and downs. The third of four is where any particular new investment fits into what we have, what I call fits.

Then the fourth out of four in the square is what I call flexibility, which is can we change our mind when we take on a mortgage, or invest in a mutual fund, or engage in a whole number of different financial transactions, are we stuck with where we are, or if we feel like we've made a mistake, can we move on?

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FT: Of all those geometric shapes, what do you think is the hardest? I find purpose to be a little challenging at times, because I know what my priorities are. Decisions seem a little more straightforward to me, but purpose just seems so ominous.

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BP: Yeah. That's the biggie. I mean, the book moves from the most abstract to the most specific, and it moves I think from the most important to the least important. I'm not going to say that the investments you make, financial decisions you make aren't important part, where I have devoted my career to making helping others make better financial decisions. What I've seen both personally and professionally is that people take, I'll say the easy road out by focusing primarily on investing and the markets at the economy and their portfolio. They've lost track, or they've never even taken stock of well, what is it that they're trying to accomplish to begin with?

I'm a big believer that we have control over our own story in life, and that the narrative that we create, even though it's going to change over time, a little bit of thought can make a big difference. If we've thought about what we're really trying to get done what we're trying to underwrite in life, a lot of the financial stuff, the details, the beats, it falls into place and in a pretty fascinating way.

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FT: Well, I'd love to explore your life story Brian ,specifically your money story. I often ask guests to take us to a time, a place growing up when they feel they got some financial education, or story, or lesson, or experience. Our sponsor for the show is Chase Slate and they did a study recently that found that majority, over half of families have had a money conversation with their kids. For you growing up as a kid, what was that – what if any story do you have around money that you think is, you've until to today really significant.

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BP: Yeah. I mean, I'll tell a story, an honest story, which is not a great one, which is that my parents argued all the time about money. I wouldn't say that along the way, there were any great lessons that were explicitly communicated to me in terms of sitting down and talking about investing and saving. I grew up in a comfortable middle, upper middle-class. Home in a nice community outside of Pittsburgh. My initial experience with money as a younger person was that it could be a great source of stress.

I think that part of why I ended up where I am now is because I feel like those conversations can go – they can go a lot better. I've learned different and other lessons along the way over the course of my career, but that was my initial foray against money. I don't think it needs to be stressful as many find it.

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FT: What have been some ways that you've overcome the perhaps, limiting beliefs you had around money, because you grew up in an environment where money was a source of stress? Maybe that carried with you into adulthood and showed up as an adult. I'm just curious if you had any moments as an adult, then later where you had a reconciliation with that past.

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BP: Yeah. A big one was when I decided to make a big left turn in my career. I went into academia. I did a doctorate at the University of Chicago. That is not a lifestyle that has much money associated with it. It does not pay very well, so I lived on relatively little money during graduate school. As I was transitioning to become a professor and had done relatively well in the active job market, getting some good tenure-track offers at premier universities.

I stepped back and ask some hard questions of myself in terms of, “Okay, is this really the lifestyle that you want to leave, not only in terms of a pretty lean salary, but also a very moveable lifestyle, where you're going to be at one university, but if it doesn't click out there, you need to go somewhere else?” All in, I had to go through a reckoning where I was having relative to my expectations and relative to others, quite a fair amount of success. Yeah, I was “good at my job,” but I wasn't happy at my job.

Not just the salary, but the lifestyle generally that I had bought into without a lot of thought. It dawned on me that that's not where I wanted to end up. By luck, mostly maybe by a little bit of skill, I got my first job out of post-academia at an investment firm called Morningstar. I'm sure that I know you're familiar with. I got very lucky with not only the work I was doing, but the

relationships that I formed there that I was pretty quickly to get up to speed on not only investing basics, but how to have a really healthy toward money. That stuck with me nearly 20 years later.

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FT: One of the things that you talk about in your book is not just how to achieve fulfillment, but how to maintain, how to maintain being wealthy, right? It's like, you can lose weight, but how do you keep it off? This brings me to the question of habits. What are some good habits, maybe some that you practice to uphold the geometry?

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BP: Right. One of the, I think most important pieces of pieces of advice I can give to people is to automate as many good decisions as possible. As a student of behavioral finance and neuroscience and have some sense of how bad we are generally at making decisions about money. The more decisions we have to make in the moment, where we've got to think about a bunch of different things to make sure that we're doing the right thing, the more likely it is that we're going to mess up.

Let me give you a specific example. People who enroll in automatic savings programs in their workplace, for the pay, or for [inaudible 0:20:24.4], tend to have much better money outcomes in life. That means that you make a decision right from the get-go that you're going to put a little bit of your salary away into a retirement account. Then you don't have to think about it again.

If you had to imagine a different scenario where every two weeks, someone from HR called you and said, "Hey, do you want to contribute to your 401k this time?" Probably most of the time you would say yes, but maybe there's some financial stress, or maybe you wanted to save a little – you wanted to spend a little bit more on a slightly nicer vacation. You could say, "You know what? I'm going to take a pay period off, or maybe a month or two off." That's not a good thing. The more we can automate those savings decisions, the better case that we're in.

Second good example is that those who work with financial advisors tend to have better outcomes than those who don't, and it's not because especially the financial advisor is a money

– they don't know any better than anyone else, what's going to happen tomorrow, or next year, or 10 years in the market. What they can do is help you set up a plan and help you stick to it, because we do during multiple times have an urge to retreat from danger, which means we want to sell things in our investment portfolios that aren't doing well, even though it might be a time to buy, instead of sell.

When we work with somebody outside of our [inaudible 0:21:53.7] coach, really should think about the advisers as coaches, then we can end up with that decision discipline that we probably couldn't end up with on our own.

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FT: I couldn't agree more. I think that what we're seeing too in the marketplace is this shift of the financial advisors who are really tapped into the paradigm shift people are having with respect to money. We don't need someone to tell us whether to buy Google, or this index fund, or that ETF, but we do need some hand-holding. We need to know that things are going to be okay. More are like, what are some ways to mitigate risk and help us achieve our goals and figure out what our purpose is perhaps? I think that you're in the sweet spot where you've got that behavioral background, coupled with money. It's so important.

[0:22:51.4] BP: I hope so. I mean, the behavioral lesson is something I proselytize every week in the financial advice business. The industry to your point is changing in a positive direction, but it's changing slowly. I know that historically, this has been a brokerage business, right? It's about buying and selling securities. That is the last thing on the checklist to worry about. Much prior in the process like we've talked about, you got to have some sense of what brings you joy in life, and then you got to have a plan. My big thesis is that purpose and practice have to be thoughtfully calibrated, if you really want to have an enjoyable money.

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FT: All right, let's do some So Money fill in the blanks and just maybe end on a light note. I start a sentence and then you just finish it, the first thing that comes to mind. All right, if I won the lottery tomorrow, the first thing I would do is?

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BP: Pay off my mortgage.

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FT: All right, because it's just emotionally tolling or –

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BP: I think that debt of any kind, including mortgage debts can undermine your financial flexibility, and we live debt-free other than a mortgage. I would like for that note to go away. It would be one big step forward in terms of true financial independence.

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FT: Awesome. All right, one thing I spend on that makes my life easier or better is?

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BP: Books. I'm a total nerd. I love reading, writing and reading to me they're the same – part of the same exercise. I spend a ridiculous amount of money on books. My office is filled with books I haven't read yet. I doubt I'll be able to get to all of them, but the idea that you can insert yourself into big conversations that have been going on for thousands of years about really fascinating and fun and interesting and socially relevant topics, you could just jump on in with all the great thinkers, I think it's one of the coolest things about being alive.

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FT: Spoken like a true academic.

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BP: Still, yeah.

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FT: You like fiction, or mostly nonfiction?

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BP: I read mostly nonfiction. I do always have a couple fiction books going, so that I can lighten up a little bit and enjoy a good detective tale, or something like that. Yeah, where I am in my life and my career right now, I read a lot of history. All of the stuff that I've been researching for this book in terms of neuroscience and social psychology, not the technical journals, but there's so many great books now that have give us unbelievable perspective on the way the human brain works, the way we all get along, or don't get along as it were – there's a lot more for me to learn. That the more I read, the more I realize how much I don't know and that motivates me to keep going.

[0:26:06.9]

FT: I love that it motivates you. I think it would frighten me. There's so much I don't know. I have no – there's not enough hours in the day to catch up. How about this, when I donate, I like to give to blank, because?

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BP: Well, I like to give to charities that have a measurable and nearly immediate impact on people's lives. For example, my wife and kids and I are very active with a local food bank in Chicago called Common Pantry. It's Chicago's oldest continuously running food pantry. My kids volunteer there to stock shelves. I've been on the board. We give some money. It's just down the street here on the north side of Chicago. A striking number of people in Chicagoland are so-called food insecure, just a fancy term for hungry. They don't know where their next meal is going to come.

It infuriates me honestly that in our wealthy society, that you still have families who are hungry. I've served meals to a lot of these folks over the years. Anything that we can be doing to give money here and now to alleviate the pain of others and hopefully give them a leg up and an opportunity to grow and thrive, that's where I'm going to be writing the checks.

[0:27:36.2]

FT: I love that. Yeah, absolutely. If you can measure the way that your money is making an impact, I think that is really important for a charity to put up front and center. I love it when they're like, for every dollar, you will feed these many kids or something.

[0:27:52.8]

BP: Yeah. I like having those metrics. It makes it easier for me to wrap my brain around what is this money going to do.

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FT: Exactly. Make a decision. All right, last but not least, I'm Brian Portnoy, I'm So Money because?

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BP: Because I have created a career that allows me to help people simplify their money lives and get to a better place. I get feedback all the time in a variety of forms that the advice, or the perspective that I'm giving is helping folks in a material way in the here and now. It makes me feel really good to know that I have the capacity to do that.

[0:28:40.7]

FT: Well, thank you so much for writing the book and your great work in the personal finance space and behavioral finance specifically. Your book is called *The Geometry of Wealth: How to Shape a Life of Money and Meaning*. Congrats and have a great rest of your summer.

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BP: Okay, thanks. You too.

[END]