**Morgan Housel**

Morgan Housel discussed the importance of investment behavior - discipline, self-knowledge, and expectations.

He used stories to illustrate his points.

One of them was the *Sunday Times* Golden Globe Race in 1968-1969. It was an around the world boat race from Great Britain and back.

He focused on two contestants:

Donald Crowhurst – who built a homemade boat. His boat sprung a leak halfway down the coast of Africa. So he decided to fake it. He headed to the Atlantic and drifted there for six months sending fake radio messages - to create the appearance he was sailing around the world. But he made a critical mistake in his radio messages – showing he was way too fast and early – essentially exposing he was a fake. A fisherman later found hid boat. His last message was “It is finished. It is finished. It is Mercy.” Crowhurst was never heard from again. It’s assumed he threw himself in the ocean and committed suicide.

Bernard Moitessier – was one of the best sailors in the world. He legitimately won the race. But he loved sailing and hated the commercialization of sport. Moitessier hated being a performer. The thought of going back to Europe made him sick. So he quit the race and went to Tahiti. He got married and had three children with a local women.

Donald Crowhurst – wanted attention so bad he was willing to cheat. Bernard Moitessier hated attention to the point he went to Tahiti to live off the grid to be his true self.

Point of the story for investors.

Too many people spend money to impress people rather than doing it to provide a sense of joy. So much of the economy is geared towards attention seeking and status seeking.

Investors should keep in mind that money should be a tool for a better living versus a scorecard against other people. There’s no need to impress anyone. Chasing status at the expense of your true self can hurt your life and cause poor investment decisions.

Investors need to be mindful of their expectations.

He used the example of theoretical physicist Steven Hawking. Although Hawking was bound to a wheelchair from the age of 21 and on because of a debilitating disease, he was happy to do the research that he loved.

Hawking was happy because he had zero expectations. So he looked at the ability to do physics research was a complete bonus.

Housel then discussed the 1950’s as the most widely considered best economic period in U.S. history.

At that point, we just came out of the hardships of World War II and people lived very good compared to their expectations at the time. Housel says that we are far better economically today than the 1950’s, but most people in the society now live at a lower level than they expect. So there’s a high level of dissatisfaction. It’s because expectations are greater than circumstances.

Housel says it’s very important for investors to keep expectations in check. If expectations grow faster than earnings, investors can never be happy.

And that’s why Housel says “Enough” is the important word in finance. He says managing expectations is crucial, otherwise investors will pointlessly take risk and never be satisfied.

Finally, Housel talked about the importance of endurance to investors. Most great athletes train and operate at low intensity over 80% of the time and can instantly spring into high intensity – when the situation calls. This makes their play sustainable. Proper pace is important to investor success as well. Endurance is what builds wealth over-time

Housel discusses Rick Guerin – Berkshire Hathaway’s forgotten third partner with Warren Buffet and Charlie Munger. Buffett said Guerin was just as smart as him and Munger. Problem was he was in a hurry to get wealth. He borrowed on margin and leveraged his big stake in Berkshire at the time and in the financial crisis of the 1970s he lost everything. And had to sell his stake to Buffett. Guerin got wiped out because he had no patience. He would have been better off operating at low intensity – like Buffet and Munger building wealth over time with no leverage.

Housel says the best returns are the ones investors can sustain for the longest period. Compounding wealth comes from endurance.

Investors can only really do one thing in investing - control their own behavior. And they must do so to be a successful investor.