

Good Advice vs. Effective Advice

One of the hardest parts about giving financial advice, or any advice for that matter, is the fact that good advice alone is not enough. Good advice is all around us and people simply choose to ignore it much of the time.

Telling a friend or family member who is overweight to eat better and workout periodically is good advice. But for most people, that good advice will not be effective. They already know what they *should* do.

A study in Botswana found that 91% of men said they knew they that the use of a condom could help prevent the spread of HIV/AIDS, yet only 70% of them used a condom. For women, it was 92% that said they knew condoms would help versus only 63% of them that used them.

Even with very high stakes, knowledge and willpower alone are not enough to change behavior. Even the [leading experts](#) in the field of behavioral economics and human psychology have a difficult time changing their behavior.

Anyone can offer good advice but very few people or firms in the advice-giving business think beyond to also offer effective advice on top of it. Here are some examples:

Good advice is preaching to your clients to stay the course.

Effective advice is building portfolios that are durable and behaviorally aware enough to help clients stick to their plan.

Good advice is to buy low and sell high.

Effective advice is to create a rules-based system that forces you to sell a little bit of what has worked and buy a little bit of what hasn't.

Good advice is to ignore the noise.

Effective advice is to create a comprehensive investment plan which focuses exclusively on those things that are within your control.

Good advice is giving people tactics they can apply right now.

Effective advice is building people systems they can apply over and over again to different situations.

Good advice is telling people to save more money.

Effective advice is helping people automate their finances so they don't even need to think about saving money.

Good advice is telling investors to think and act for the long-term.

Effective advice takes into account the fact that people don't live their every day lives in the long-term.

Good advice is to do nothing most of the time when it comes to your portfolio.

Effective advice is helping people do less harm than they would do otherwise by implementing behavioral release valves.

Good advice is theoretical and unemotional.

Effective advice is practical and takes into account human nature and behavior.

Good advice offers optimal solutions.

Effective advice withholds judgment and takes into account a client's personality, current situation, and circumstances.

Good advice is universal.

Effective advice is personal.

Good advice takes into account the historical evidence.

Effective advice marries an evidence-based approach with a deep understanding of the human element involved.

Good advice tells you how to succeed.

Effective advice *shows* you how to succeed.

Good advice looks for the best ideas.

Effective advice looks to destroy the worst ideas.

Good advice incorporates the best in academic research.

Effective advice incorporates academic research with real-world experiences.

Good advice finds the best investment strategy.

Effective advice finds the best investment strategy *for you personally*.

Good advice is intelligent.

Effective advice is easy to understand.

Further Reading:

[When Knowledge is Useless](#)

Now here's what I've been reading this week:

- Why do smart people do foolish things? ([Scientific American](#))
- As goes the middle class, so goes TGI Fridays ([Eater](#))
- Visualizing risk, return, and time ([Dan Egan](#))
- Jerry Rice is a wedding crasher ([The Ringer](#))
- 22 lessons from running a fund ([Yet Another Value Investor](#))
- How to educate people on their finances ([A Teachable Moment](#))
- How to develop the situational awareness of Jason Bourne ([Art of Manliness](#))
- In search of inactive funds ([TEBI](#))
- How to get yourself to do things ([Raptitude](#))