

## Personal Finance Management

“The investor's chief problem - and even his worst enemy - is likely to be himself.” – Benjamin Graham

When I got out of college and started my first job in the investment world I had a great foundation of education in finance, business, accounting, and economics. My first job was at a consulting firm where we were giving advice to large institutions and high net worth individuals on how to invest their portfolios.

While I had a nice foundation of textbook financial knowledge I realized I had no idea about what to do with my own personal finances. So I decided to educate myself and read every book, blog and article I could find on investing, saving and personal finance.

I found right away what clicked and would work for me and what was just mindless stating of what everyone already knows (save more than you earn, stick to a budget, don't spend money on a coffee from Starbucks every day, blah, blah blah). I took what I felt were the best practices of many experts in the field and put them to use to see what worked.

Most of the habits that we develop in our financial lives come from our upbringing. I was lucky enough to have parents that preached living below your means and not getting into unnecessary credit card debt. Others come from families that are constantly struggling to make ends meet and don't save and plan for the future.

For those people, it is tough to learn the correct way to run your finances because you develop bad habits at a young age by following the bad example that has been set for you. Obviously, this isn't always the case. People develop good and bad habits on their own as well regardless of how they were raised.

I still had a lot to learn about running my own financial life even though I had that great foundation from how I was raised. Since there is no formal education in high school or college for managing your finances, you are mostly on your own when it comes to one of the most important aspects of your daily life and long-term plans.

Another reason that people have trouble with personal finance is that they hate talking about it. I constantly get questions from friends and family members about issues they are having or things they don't understand. And usually, these discussions lead to more concerns about what they don't yet understand because they don't see the big picture.

Many people feel embarrassed that they don't understand the many facets of the financial world so they hate to talk about it for fear of sounding naive. When I offer to sit down with them and look

at their entire financial situation they always tell me they would love to but never follow through with it.

So I figured having a website would be the best way to get people to open up and ask the questions that are troubling them with their finances. It could be on anything as basic as budgeting, how much to save, credit card debt or even what bank accounts to use.

Or it could be more specific actions like how to set up your asset allocation for your retirement accounts, whether should you invest in individual stocks, and why you should invest in the stock market if everyone assumes it's so risky. Plus I enjoy learning what is working well for others in their financial lives. We all have different situations but we can still use the best practices in our own way to make our lives easier.

Nassim Nicholas Taleb, the brilliant author, and investor wrote in the Wall Street Journal recently that "trial and error beats academic knowledge." This is true in my experience because I have tried so many different ideas and now believe I have a system of best practices that works for me.

It takes time to see what works but it is possible to make large-scale changes that can make a difference. I strive to make my decisions smarter and more efficient to balance my short-term and long-term goals.

We all have the common sense needed to understand our finances. We just need to be able to learn effective habits to put that common sense to good use. [Tim Ferris](#) (author, blogger) talks a lot in his book [The Four Hour Work Week](#) about Pareto's 80/20 Rule. Basically, what this says is that 20% of your work leads to 80% of your results.

And most people fail to learn that they just need to get started and do *something* instead of worrying about doing everything. A great example of this would be someone who won't invest and save in their workplace 401(k) plan because they want to learn about what funds to invest in and how to set up their asset allocation correctly before they start investing.

But by doing 20% of the work and just setting up the automatic withdrawal from their paycheck to save on a periodic basis, they are already 80% of the way there. Having a periodic investment and savings plan is much more important than knowing what exactly to invest in.

Don't worry about what the market will do in the short term, worry about your investment process. Instead of constantly looking for the best funds or stocks to invest in, have a coherent savings and investment plan.

You need to start by doing the common sense things like saving, setting up the correct accounts, automating your contributions and bill paying and then if you feel like you need to delve into that additional knowledge you can do that while already having most of the heavy lifting done.

## **A Wealth of Common Sense**

Personal Finance, Investments & Markets

<http://awealthofcommonsense.com>

---

If you've taken an economics course in college you know that there is the study of Macro- and Microeconomics. Macro deals with the top-down, big-picture stuff. Micro deals with the bottom-up, smaller picture stuff. Start by focusing on the Macro and then you can move on to the Micro later.

The Macro is the 80% of the results and the Micro is the remaining 20%. We need to take the easy route and make it so we don't have to micromanage our finances on a daily basis.

I understand that the majority of people out there would never pick up a personal finance book for fear of being bored out of their skull. That is why I want to use this website as a way to show you the very best of what is out there in personal finance and investing so you don't have to go looking for it. I will be here to answer questions and hopefully, others will share what has worked for them too.

*What personal finance topics would be most interesting for you to read about?*