


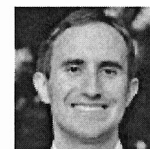
Financial Advice for My New Son

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My wife and I welcomed a son into the world on Sunday. It's the coolest experience anyone could ask for.

His only interest right now is keeping us awake 24/7. But one day -- a long time from now -- he'll need to learn something about finance. When he does, here's my advice.

1. You might think you want an expensive car, a fancy watch, and a huge house. But I'm telling you, you don't. What you want is respect and admiration from other people, and you think having expensive stuff will bring it. It almost never does -- especially from the people you want to respect and admire you.

When you see someone driving a nice car, you probably don't think, "Wow, that person is cool." Instead, you think, "Wow, if I had that car people would think I'm cool." Do you see the irony? No one cares about the guy in the car. Have fun; buy some nice stuff. But realize that what people are really after is respect, and humility will ultimately gain you more of it than vanity.

2. It's normal to assume that all financial success and failure is earned. It mostly is, but only up to a point -- and a lower point than many think.

People's lives are a reflection of the experiences they've had and the people they've met, a lot of which are driven by luck, accident, and chance. Some people are born into families that encourage education; others are against it. Some are born into flourishing economies encouraging of entrepreneurship; others are born into war and destitution. I want you to be successful, and I want you to earn it. But realize that not all success is due to hard work, and not all poverty is due to laziness. Keep this in mind when judging people, including yourself.

3. This may sound harsh, but I hope you're poor at some point. Not struggling, and not unhappy, of course. But there's no way to learn the value of money without feeling the power of its scarcity. It teaches you the difference between necessary and desirable. It'll force you to budget. It'll make you learn to enjoy what you have, fix what's broken, and shop for a bargain. These are essential survival skills. Learn to be poor with dignity and you'll handle the inevitable ups and downs of financial life with ease.

4. If you're like most people, you'll spend most of your adult life thinking, "Once I've saved/earned \$X, everything will be great." Then you'll hit \$X, move the goalpost down the field, and resume chasing your tail. It's a miserable cycle to be in. Save your money and strive to get ahead. But realize your ability to adjust to new circumstances is more powerful than you think, and your goals should be about more than money.

5. Don't stay in a job you hate because you unwittingly made a career choice when you were 18 years old. Your dad shakes his head at college freshmen choosing a major to guide their lifelong careers. Almost no one knows what they want to do at that age. Many don't know what they want to do until they're twice that age.

6. Change your mind when you need to. I've noticed a tendency for people to think they've mastered investing when they're young. They start investing at age 18, and think they have it all figured out by age 19. They never do. Confidence rises faster than ability, especially in young men. Learn the skill of changing your mind, discarding old beliefs and replacing them with new truths. It's hard, but necessary. Don't feel bad about it. The ability to change your mind when you're wrong is a sign of intelligence.

7. The best thing money buys is control over your time. It gives you options and frees you from relying on someone else's priorities. One day you'll realize this freedom is one of the things that makes you truly happy.

8. The road to financial regret is paved with debt. Also, commissioned salesmen. But mostly debt. It's amazing what percentage of financial problems are caused by borrowing. Debt is a claim on your future, which you'll always miss, in order to gain something today, which you'll quickly get used to. You'll likely use some debt, like a mortgage. That's OK. But be careful. Most debt is the equivalent of a drug: A quick (and expensive) hit of pleasure that wears off, only to drag you down for years to come, limiting your options while weighed down by the baggage of your past.

9. Your savings rate has a little to do with how much you earn, and a lot to do with how much you spend. I know a dentist who lives paycheck to paycheck, always on the sliver's edge of financial ruin. I know another who never earned more than \$50,000 and saved a fortune. The difference is entirely due to their spending.

How much you make doesn't determine how much you have. And how much you have doesn't determine how much you need.

Don't become a money hoarder or a miser. But realize that learning to live with less is the easiest and most efficient way to gain control of your financial future.

10. Don't listen to me if you disagree with what I've written. Everyone's different. The world you grow up in will have different values and opportunities than the one I did. More importantly, you'll learn best when you disagree with someone and then are forced to learn it yourself. (On the other hand, always listen to your mother.)

Now, please let me sleep.

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