

In The Trenches_ Conversation with Dr. Daniel Crosby

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behavioral finance, soul of wealth, meaning and purpose, fear of the unknown, risk and uncertainty, hedonic adaptation, negativity bias, spending habits, financial planning, life purpose, moral framework, belonging, becoming, investment strategies, time management

SPEAKERS

Daniel Crosby, Steve Divitkos



Daniel Crosby 00:00

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S**Steve Divitkos 00:40**

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D**Daniel Crosby 03:09**

Steve, good to be here.

S**Steve Divitkos 03:11**

Such a treat to talk to you. I just finished reading your book, and I was struck by the fact that so much of it was applicable to me, not just as an entrepreneur and as an investor, but frankly, also just as a human being that has to deal with psychological biases, patterns developed in childhood, questions of spending versus saving versus investing. We're going to get to all that, but I want to start with what I hope you'll agree is a pretty fundamental question. Excuse me, the title of your most recent book is called *The Soul of Wealth*. And early in that book, you said something that's that's interesting, and I'll pre warn the listener that I'm going to be doing a lot of quoting today. The one thing that you said is we tend to chase a number as an external marker of riches, but real, soulful wealth is about much more than just a number. So my first question to you is, what is wealth, and how do you define that term currently? And how is your definition changed over time, if it has?

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Daniel Crosby 04:11

Yeah, so I'll start with the last question. First, I think historically, or maybe in my youth, I used wealth, and, you know, riches sort of synonymously. And the way that I would liken them is it's very akin to the relationship between happiness and meaning. I think the relationship between being rich and being wealthy is a lot like the difference between being being happy and having a life of meaning or purpose. When you look at the happiness and meaning discussion, animals can be happy, right? Because most of what you look at, when you look at happiness, is an absence of want. It's a very sort of animalistic, materialistic thing, like we're happy when our needs are met, but to live a life of meaning or purpose is very different, and some it has some overlap with happiness, but it's not a total overlap. And even if you look at the stuff around like having children, you know, having children decreases happiness, but it greatly elevates meaning and but, you know, I think you'd ask people with children and almost to a person, they would say, look, this was the right thing to do, even though their research is very clear that your happiness dramatically decreases when you have your first child. And then it drops with every subsequent child. And as a father of three, it's like, yeah, kids, kids ask a lot, kids take a lot, but they give a lot of purpose. You have a lot less free time. You know your degrees of freedom are somewhat limited, but you also have this deep and abiding joy that you didn't, that wasn't there before. So the conversation around being rich and being wealthy is sort of similar. Being rich means you have a lot of money and you can buy a lot of things. Being wealthy is taking those riches and having them serve A, human ends and B, enduring ends. So I think the soul of wealth is more human centric and more enduring than the traditional conversation that we've had around riches.

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Steve Divitkos 06:32

So that actually leads quite nicely into my next question, which is around this idea of purpose, right? Because inherent in your definition of wealth, you mentioned the word meaning several times. So specific to the idea of purpose, you mentioned in your book how having a sense of purpose can be enormously helpful in helping us to foster a sense of meaning and contentment in our lives. But this probably falls under the category of easier said than done, which is to say that, like discovering or articulating one's life purpose sounds like a monumental and intimidating exercise. So I guess the question is, how does somebody get closer to discovering their own purpose, and in so doing, like, how do we avoid the risk of fooling ourselves at best, or maybe even BS ing ourselves at worst?

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Daniel Crosby 07:25

Yeah, so this is probably my favorite question in the world, and it's something I'm doing a deep study on right now. And I'm actually writing on for my for my next book. Always, always looking for the next book. And so when I tell people I'm writing a book on finding life purpose or finding life meaning, Steve, the stares that I get like the looks that I get, because people think that this is so abstract, kind of like you said in your question, they think it's so out there. So Woo. You know, so hard to get your arms around. And the literature actually tells us that there's three things, there's there's three things that we need to have a life of purpose. And here they are. So you're hearing it here on Steve's podcast, the meaning of life. The first is believing we need a we need a moral framework for making sense of the world. So this could be religion, this could be philosophy, this could be spirituality. This could be sort of your own moral code that you've codified and arrived at after years of living. But you need some handbook for making sense of the world that's very important. You know you need to be able to answer questions like, why am I here? And why do bad things happen to good people? And you know that these sorts of big existential questions, you need to be able to make sense of those. So you need a belief system of some sort. The second thing that you need is belonging. You need to matter to someone. You need love. You need relationships. When we look at all of the longitudinal studies on what makes life worth living, relationships are constantly at the top of the pack. So you need to matter to someone is the second thing, and then the third thing is becoming, which is typically how we use this idea of meaning or purpose. Becoming is a vision of your future self, an aspiration, a North Star, a goal you're working toward of the kind of person you want to become. But meaning is not this, you know, on unfathomable, ineffable concept, meaning is these three things. It's rules for making sense of life, people who love you and who you love. And a vision of where you're going and who you want to become. And so I think all of us are doing, you know, a better or worse job on on all three of these things. But I love that template for being able to say, Okay, where am I like? Do I have rules for making sense of the world? Yeah, I do. Okay. What about my relationships? How are those doing? Well, that could use a little work. What about my vision for a future self? Once you sort of understand the three ingredients of meaning, you're empowered to do something about it. And that's really what it looks like, believing, belonging and becoming.

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Steve Divitkos 10:37

So at the risk of fishing for a snappy sound bite. Have you been able to articulate your own life's purpose? And if so, what process did you go through to discover or articulate it?

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Daniel Crosby 10:51

So, the process, for me, was being emotionally tortured. No, I mean, in a lot of ways, I think my life purpose at the risk of being meta, I think my life purpose is to help others find theirs. But more, you know, less abstractly, I think my life purpose is twofold. You know, first, to have the best relationships possible, specifically as a husband and a father. You know, I want to be the best husband I can be. I want to be the best father I can be. And when you look at the history of the world, right, it is simultaneously depressing and empowering to realize that history is going to absolutely forget you. You know, like, history is going to absolutely forget you, even if you're rich, even if you're powerful, even if you're wildly successful in sort of material terms here, just nobody's going to remember you in 100 years, aside from the handful of people in your immediate circle, basically your family and your close friends. You can have an enduring, eternal impact in the lives of those people who sit very closest to you. And so I want to get those relationships right, and then the my second one is to put big ideas out in the world. You know my meaning is to help other people's find there. So those are my two, to get my relationships right and to put big ideas out in the world.

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Steve Divitkos 12:35

Another one of my favorite quotes from your book revolved around the idea of fear. And specifically you said, you said the following, the oldest and strongest emotion of mankind is fear, and the strongest kind of fear is fear of the unknown. Our distaste for uncertainty is so great that we're compelled to fill that space with anything, no matter how destructive, to rid ourselves of the feeling of not knowing. So I guess the question to you is, in the context of investing or spending or financial planning, how does this distaste for uncertainty most commonly present itself? How does it manifest most frequently and like, what traps for lack of a better way to put it, does it lay that we should all be aware of?

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Daniel Crosby 13:16

Yeah, so first, I want to talk about some of the research on uncertainty, because it's so stinking cool. So there's research from World War II that I find fascinating. And it looked at levels of PTSD in London, which was, you know, chronically bombed during World War II, and they look at the levels of PTSD in London. And they found that they were actually much lower in London than they were in outlying, suburban and ex urban areas, who were much less hard hit. And it's kind of fascinating to consider why that would be the case, but it has everything to do with uncertainty. In London, you knew you were getting bombed every night, so it was sort of just like dim the lights, get out your canned food, huddle together with your family, and kind of ride out what was going to be a very rough night. In the exurbs, in the suburbs, you got 1/10 of the shelling so like, maybe you were, maybe you weren't. And it turns out that that uncertainty, the uncertainty, is much more damaging than the certainty of a bad thing. You see this with adult children of alcoholics, a slight majority, a slight majority of people who grow up in the homes of alcoholics marry alcoholics themselves, and it's just because of this. And I mean, alcoholism is just horrifying, the societal impact of it is crazy. One in three people will be impacted by a drunk driving accident in their lifetime. You know, it's the leading cause of domestic abuse. Growing up with an alcoholic is no fun, and so why would the people who have a front row seat to the horrors of alcoholism go out and then marry alcoholics themselves? It's because they know how to handle it, like the devil that you know, and the skills that you have developed for dealing with someone who has that substance abuse problem, you at least know what to expect, and that is sometimes more comforting than trying to reach for something better. The last thing I'll talk about is when you look at people who are going through things medically, the point of maximum stress in someone who's like receiving a cancer diagnosis, it is not, it is not when they receive the diagnosis. It's not when they say, Hey, Daniel, you have stage four cancer. The worst part is when you're waiting. When, like, you've had some symptoms, you go in and get the biopsy, and you're waiting for the results far and away, that is the worst moment of the whole process, even worse than hearing some like heartbreaking news about your health. So when it comes to our money, the response tends to be sort of bifurcated. There's kind of two responses to uncertainty that prevail. One is to paper over uncertainty with a thin veneer of bravado uncertainty and just act like you know what's going to happen, right? To just say, you know, you see this in a lot of the dramatic sort of doom and gloom or to the moon type, you know, sentiment that you see online with respect to stocks and crypto and things like that. So to take such a dramatic and an arrogant position that you just are become sort of so sure of what the future is going to look like. The other response is sort of the exact opposite thing, which is just to run for safety. And you know, you're seeing that this year with, you know, with cash and cash equivalents yielding a nice sum here in 2025. You're seeing a lot of people going, well, I can get 5% from a bank note? Like, Yeah, I'm gonna do that, you know, just sort of running in hiding, in the in the shadow of a safe thing. So sort of, you see that flight to safety, and you also see this sort of arrogant risk taking paired with bravado, that sort of papers over the inherent uncertainty underneath it.

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Steve Divitkos 17:52

Yeah, this is a total tangent, but I can't help but exploring it because you mentioned the case study of Londoners during World War II. I somewhat recently finished, a book called *The Splendid in the Vial* by Eric Larson. And it was basically about Winston Churchill and how he dealt with leading the allied forces in the middle to late parts of World War II. And the biggest takeaway I had from that book was despite London getting reliably bombed every night and despite people sleeping in subway tunnels, what most struck me about that book was just how utterly normal their lives were during that incredibly abnormal time to put it, to put it lightly, and there was a quote in there. I don't remember exactly what this Londoner said, but she basically said, it's been a pleasant surprise how well we've been able to adapt despite this incredibly awful thing that's been that's been happening to us. So I guess the question to you, this is somewhat of an unformed question, but what does that say about our ability to simply adapt and persist as human beings? Like that was one lesson and one takeaway that I extracted from COVID is like this, once in a generation, thing that happened, though it was incredibly difficult, many of us managed to persist and deal with something that seemed unfathomable to us prior to it happening. So can you just speak to like our general ability to adapt and persist in spite of objectively troubling things that may happen to us at any given time?

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Daniel Crosby 19:32

Yeah, happy to. So you said at the outset, you paid me a, maybe unwittingly, a very nice compliment, which is that you know you've seen application of the ideas in the soul of wealth to non financial parts of your life. And that's what I love about this work, is that when you study human behavior, it's when you arrive at these sort of capital T truths about human behavior, they have idespread application. So what you've just described, our ability to adapt is so much greater than we think it is. If you had told me in 2019, right? If you had said, Hey, man, what if I told you won't, I don't remember how long we were locked up or whatever, but you know, ballparking here. Like, Hey, you're not going to see your family for a year and a half and you're not going to go on vacation for a year and a half, and you're not going to travel for work for a year and a half. How is that going to be for you? I would have said I will be wrecked, you know, like, I'll be wrecked. This is unfathomably bad. And you're just going to eat. You're going to eat at home, you're not going to go out to eat. You know, all the disruptions that we endured, you would have said, Man, that is a nightmare. But it was fine. Like it really was just fine. And we see this again and again, to the upside and the downside. You ask people like, you know, what would it be like to lose a loved one? And they go, Well, if I lost this person, I just couldn't go on, you know? And then they do go on, you know, this person dies, and then, you know, they're sad. It's tragic, it's heartbreaking, but they're able to put one foot in front of the other, but it happens to the upside too. You know, you say, hey, what would happen if you won the lottery? And folks go, wow, you know, everything would be so different, and life would just be so incredible. And it is for a minute, but then you get used to it really fast. Last year. I lost a bunch of weight. I lost 60 pounds last year. And people, you know, when they see me, they're like, Wow. Like your life must just be so much better now. And it's not like my you know, my clothes fit better, but that's about it. Like, you know, the people who loved me before still love me. And I'm still the same dummy I was then. And you know, all wherever you go, there you are, so understanding that the psychological term for this is habituation, and it happens to the upside and the downside. And from a financial perspective, we have to understand that that to our benefit, we are capable of enduring more pain than we probably realize. We are more capable, we're hardier, we're stronger than we probably realize. And also those good things you want, to get in shape, to get rich, to, you know, to find love, whatever. They're not going to be as good as you think they are when you get there. And you're going to get used to them really fast. And once you realize this, you really have to start to take a journey and not a destination approach to life, life really becomes way more about savoring the journey, finding moments of joy and beauty in every passing moment, and not waiting for these like, I will be happy win milestones, because I promise you, and London, you know, wartime London, bears this out nicely. I promise you that when you get there, it will not be as good or as bad as you thought it was.

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Steve Divitkos 23:35

Yeah. Hence the importance of playing for the journey, not just the destination. Because I guess in this instance, what we're saying is like the combination of the arrival fallacy plus hedonic adaptation, basically says you're likely to feel much less fulfilled once you scale the proverbial mountain relative to how fulfilled you think you might be. And that's relevant to a lot of folks in the audience, because many folks listening to this are entrepreneurs and CEOs running small businesses where they're looking at the horizon, they're seeing an exit event, right? This borderline biblical event that is going to take off years of stress and illiquidity and all of these types of things. But correct me if I'm wrong, the research tends to be reasonably conclusive in that happiness does not reliably increase after such an event. In fact, in some instances, happiness decreases because one loses their sense of purpose and meaning and routine.

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Daniel Crosby 24:31

Yeah, we saw this. I don't know if you came across this article, but the CTO of Loom. I don't know if you saw this article.

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Steve Divitkos 24:38

Oh, I did see this. Yeah, it was on Twitter over the past couple weeks.

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Daniel Crosby 24:42

Yeah. So, you know, Loom gets sold. The CTO makes \$60 million I mean life changing money, right? \$60 million, he's relatively young, I believe. And he wrote this article. I'm gonna mess up the title, but it was effectively like, I'm Rich and My Life Has No Direction. Yeah. And it's like, what? What happens when you get everything you ever wanted? And now it's like, well, what now? I mean, we really are wired for mountains to climb, and when you find yourself at the top of the mountain, you can kind of just go, oh, I mean, I don't have \$60 million but one of the most disappointing days of my life was when I became a doctor. And people are always, they always think it's weird when you say that, but you know, it's this thing that I had strived for, for so long, I had worked so hard for. And then the day comes and you, you know you, you walk across the stage and you get your diploma, and you're like, wow, okay, all the same, all the same hang ups, all the same insecurities, like all the same problems. It's just sort of, it's hedonic adaptation and the arrival fallacy are so powerful. And I'm telling you, the best thing people can do is not to buy into this idea that one singular event, no matter how biblical, no matter how positive, is going to be, the thing that changes them.

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Steve Divitkos 26:15

Yeah, there's that famous Jim Carrey quote. I'm going to butcher it, but he said something to the effect of, I wish everybody could be rich and famous and get everything that they've ever wanted, so that they would realize that it's not the answer. This episode is brought to you by Boulay. Now, for those of you who operate within the search fund ecosystem, you probably already know that Boulay is the standard when it comes to quality of earnings reports, tax and audit services. But for those of you who are newer to the community, consider this. Over the past 20 years, Boulay has worked directly with hundreds of search funds, from capital raise to exit, currently assisting over 150 funds in the search phase and another 125 in the operating phase. They work with searchers across the entirety of the ETA journey from issuing K1s to your investors during the search phase, all the way through to helping prepare your books for an exit at the conclusion of the operating phase. They are the industry leader in performing financial due diligence and creating QAV reports that your investors can rely on. They provide a full suite of tax services, both for your search fund and for the acquired company, they perform the annual audits required by most debt and equity investors. And they also perform outsourced accounting services, acting as a fractional bookkeeper and controller for those companies whose needs might not necessitate full time in house resources. In short, you can safely assume that these guys get it. They've grown up in the search fund ecosystem over the past 20 years, and they have the reputation to prove it, to learn more, go to Boulaygroup.com that's B, O, U, L, A, Y, group.com So we've touched on this concept of risk, and that's something that I want to talk to you About. One of the chapters in your book is called, anything worth doing is risky. And within that chapter, you said, to strive for certainty is to doom oneself to mediocrity, which I love. So my question to you is, how do you think about taking risk in your own life and your own career? Do you lean on any particular frameworks or exercises or questions that you ask yourself that we might also lean on when considering taking a calculated risk ourselves?

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Daniel Crosby 28:28

I don't know if I have any frameworks, but I'll share my experience as a therapist, which is really what informed this chapter. So I've spent effectively my whole professional career on Wall Street. But my education, educationally, my PhD is in clinical psychology. So like, I had to do 1000s of hours of, you know, one on one, face time with psychotherapeutic clients to get that degree. And I feel like the biggest lesson that I learned, there was this lesson about risk. And, you know, the very first client I ever had, I was 23 years old. So I was 23 years old, which is, I think everyone can agree, a fine age to be dispensing life wisdom. So, my first client, comes to me, and she's about my same age, and I've never met with anyone before. She walks in and she has six envelopes, and I'm like, What is going on here? And she, you know, hands me these six envelopes and says, All my life, I've wanted to be a doctor, and I've applied to these six medical schools, and I've heard back from them, and I cannot. It had been weeks now, and she's like, I cannot bring myself to open these letters, because what if they say no? And I'm just distraught because I have no idea what the hell to say. Because this is not in any of my chapters. You know, I just was hoping for some garden variety depression or something. And so I'm sort of stumbling and fumbling. And eventually I go, Hey, I've just been through the grad school application process myself, and it occurs to me that if you don't open these and get back to them, you're not going to get into grad school, so your biggest fear in the world is not getting into medical school. But by playing it safe, you are bringing, you know, quote, unquote, playing it safe, you are bringing about the certainty of the thing that you are most afraid of. And it's become this metaphor where I think something that we all do, which is, you know, we all want these things out of life. We want love. But then when we get in a relationship, we freak out, and we go, Well, if I love deeply, then I can be hurt deeply, you know, so Yikes. And so, you know, we run from that. And we go, well, we want wealth. Well, the way to wealth is to have equity and, you know, start a business or something like that. And so we say, Okay, well, I'm going to start a business. But wow, if I start a business like it might fail. Most do. And so we flee from that. And so we're all kind of like that first client I had in a very real way, most of the things that we want out of life are on the other side of risk. And a lot of times, in our efforts to play it safe, we bring about the certainty of of disappointment, whereas if we take the risk. There is, of course, some risk of disappointment, but there's not the certainty that happens when we play it safe. And I ask people in the book to consider the most meaningful thing they've ever done, if I think about myself, it's, you know, having a family, my family, my relationships, my entrepreneurial efforts, my writing, all of those things are risky. You know, that is absolutely what it takes. And so I'm always trying to walk that line and think about that first client and go, you know, are my efforts to have certainty or to play it safe keeping me from the very thing that I want?

S**Steve Divitkos 32:28**

Yeah, it reminds me. I think it was the Freud quote where he said something to the effect of, in retrospect, the years of struggle will strike you as the most beautiful. Yeah, so inherent in the idea of risk is this question of when to quit versus when to persist. And this is something that entrepreneurs struggle with constantly. I struggle with this, and have for many years in the book, you said many of life's failures are people who did not realize how close they were to success when they gave up so persisting at almost any cost has been romanticized, maybe even lionized within the entrepreneurial community. But that doesn't necessarily mean that one should persist at any cost. I imagine that there are an equal number of less publicized stories where quitting the right thing at the right time was the exact right thing to do. So, I guess the question for you is like, how do we know which situation we're in? Should us type A overachievers aim to persist at substantially any cost, or should we be wise enough to know when we be better off doing something else entirely? And how do we go about answering that very meaty question?

D**Daniel Crosby 33:39**

Yeah, this is clearly one of those questions for which there's never any hard and fast yes or no, you should quit. You should persist. But I'll give you, you know, I'll give you some ways that I think about it, because I think you're exactly right. I mean, I do believe what I wrote in the book, that a lot of times people quit right before things get good. But then there's certainly lots of people, and we've all known them, entrepreneurs and otherwise, who have just doggedly kept at something that is a losing battle. So one of the things that I think we can do before we begin in an exercise is to come up with the kill criteria. You know, if I were starting a business or even starting a relationship, you know, to say, Okay, what does success look like? What is the timeline in a cool, calm, emotional state before I have begun this new this new endeavor? Say, Okay, what's my runway? What does success look like and what are the kill criteria? And write those down, codify them, memorialize them, and stick to them. I think that's one of the most powerful things that we can do, to say, look, because what happens when you get down the road a bit is, of course, sunk costs start to pile up, and you go, Well, if I quit now, then, then it negates everything that came before. So you need to make those decisions before those sunk costs have begun to accrue. Because we can do our best. You know, we can. We can do our best to try and discount sunk costs once we're down that road a bit, but it's awfully hard. So that would be like the number one thing, ignore sunk costs. Have that kill list before, before you begin, there's probably a nicer name for a success list, whatever. And then the other thing that I would say is make sure you're optimizing for the right thing. I see a lot of optimizing for the wrong stuff, and that's sort of what the, you know, the soul of wealth is all about. I have seen, you know, in my day job, I am proximal to a lot of people with a lot of money. And some of them have very wonderful personal lives, and some of them have very crummy personal lives, and much worse than you'd think for how otherwise successful they are. And a lot of it is from optimizing for the wrong things. You know, optimizing for that incremental 1 million more dollars when you just really don't need it, and what are you even going to spend it on? You know, while your family or your health or whatever dies. So that would be the other thing is, is just make sure your decision, the variables you're taking into account for that decision are holistic in nature and that you're optimizing for the right thing.

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Steve Divitkos 36:43

So I've been on a bit of a simplicity kick recently, and for so many things, both professional and personal, I've asked myself, what would this look like if it were really easy? And I found that single question to be very helpful and partially as a result of those efforts, and that that that interest I was particularly struck by the chapter about simplicity in the book. And that chapter alludes to the fact that complex problems often have straightforward solutions. However, those solutions are often ignored because they are straightforward. So my question to you is specific to investing or spending or financial planning, where do we tend to over complicate the most, and what is with our fascination with complexity?

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Daniel Crosby 37:32

Yeah, so in the book, I refer to these as River Jordan problems, and it's based on this biblical account of Naaman. So, Naaman was this powerful military leader who had one big problem, leprosy, you know, leprosy being a rather dramatic, big problem. And so Naaman, you know, sends one of his servants to a holy man and says, Hey, like you gotta, you know, cure my boss of leprosy. What are we going to do here? And the holy man sends back and says, you know, go bathe yourself in the River Jordan. And the servant comes back to name, and he's like, here's the plan. Go bathe yourself in the River Jordan. And Naaman goes the River Jordan sucks, the River Jordan is dirty, like, I like, there's better. I got better rivers closer. What is he talking about? And you know, the servant goes, Hey, Master, look, if he had asked you to do something hard, would you have done it? You would have so just give it a shot, and he does it, and he's healed. And I think a lot of times we do that, say we are all Naaman, right? We have these simple solutions, and we don't do them, and the simplicity of it, we feel like it's such a big problem that it we feel like it's going to require an equally dramatic or dynamic solution. And like, sloppily paraphrasing Einstein, you know, a problem can't be solved at the level of thinking that created it. I've seen that this year with my health journey, I've lost 60 pounds. And so every time people who haven't seen me in a while see me, they go, what in the world did you do? You must have been, you know, you must have cut out sugar. You must be exercising, you know, four hours a day. You must be eating in a six hour window. And I go, I'm walking more and I'm monitoring what I eat, like, I'm effectively counting macros and trying to move more. That's it. It's not drugs, it's not psychotic workouts, it's not severe limiting bike, that's it. And no one can believe it. No one can believe that you could bring about such a dramatic change with such sort of an everyday intervention. And yet you can when it comes to money, I think the biggest place that we see this is in investing. People are still doing things like over paying for exotic alternatives, overpaying for hedge funds, you know, overpaying for for these alts and these sort of hard to access vehicles when you know, multi asset class, low fee, highly diversified investing has trounced everything in the world for decades. But it's not sexy for someone with a lot of money to be investing the same way as some grandpa with a 401K, you know, and a middling income. And so a lot of times, people with a lot of money want something to talk about. They feel like they deserve a level of sophistication or complexity that befits their situation, and it is almost never warranted. You know I think the other thing that we overlook, from like a saving perspective, is the biggest engine of wealth creation is your brain, is you, you and your skills. And so a lot of people will invest all this time and money and effort into exploring exotic investments and alternatives and ways to squeeze one basis point, you know, of alpha out of the market. And the best thing that they could do is go get a master's degree, or go get a certificate, or start a side hustle, or develop a new skill and just bring in more money so they could invest more money. So we're always sort of looking for the lurid, the complex, the sophisticated, and so much of life is just, you know, get your mind right, save a little and spread it around, drink water, go on a walk. You know, the keys to a good life are just decidedly unsexy. And because of our tendency to overlook River Jordan problems, we tend to miss it.

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Steve Divitkos 42:19

Yeah, I heard recently that, I don't remember who said this. It certainly wasn't me, but he said we need to be reminded more than we need to be taught, which is to say it is mostly the basics that matter in substantially every discipline. And if you master the basics, everything else kind of takes care of itself. In your book, you also talk about negativity bias, and you said, humans have a very real tendency to conflate negativity with intelligence. We live in a society where undue credit is given to the most negative among us. This is a personal question, because I encounter this all the time as an investor. On a daily basis, I'm presented with opportunities to which I have to say either yes or no. And what I've noticed is that skepticism sounds and feels intelligent, whereas optimism can feel, you know, hopeful at best, maybe even naive at worst. And I've also noticed that for any given investment opportunity, there's always a handful of reasons why a reasonable person would say no, would decline to make the investment. So that's a pretty meaningful negativity bias for me to get over. And so I guess the question to you is, is there a way for us to overcome this negativity bias beyond being aware of it? And is there some way that we can kind of better develop that sense of calculated optimism that's required to basically get off the sidelines and onto the field of play, risky as it may be?

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Daniel Crosby 43:52

So, one of the best things that I think we can do, weirdly enough, to develop this calculated optimism is to become a student of history, because the arc of the moral universe is long, but it bends toward justice as a great Atlantan once said, and the world just mostly gets better. And one of my favorite, one of my favorite chapters in the book talks about this sort of underlying principle, that investing is inherently an optimistic act. Anytime you're setting aside money, anytime you're investing money effectively, what you're saying is the world's gonna get better. And that is a bet that has paid off in the long run forever. If you look at, you know, the founding of this country, at the time of the founding of this country, 85% of the world was living in poverty. Of the World. Was living on \$2 or less a day Today, that number is 9%. Violence in the world is down dramatically in the last 700 years, to say nothing of the last 100 years, and we forget that, because there's always bad stuff happening. I mean, just this year on New Year's Day, we had a terrorist activity on New Year's Day, and you're like, here we go, you know, a new year. And already we're doing this again. So it can become easy to get mired in the specifics of those narratives and to lose sight of the the broader historical trend, which is the world is becoming richer, kinder, safer and more egalitarian. And so I think that becoming a student of history is, you know, most people think history and it's like, oh, it's all it's all war and tragedy. But I think as you become better read and you become a student of history, you actually see how much better things have gotten, and it makes it easier for you to and to invest. In terms of why we have this negativity bias, there's a couple of reasons. One is because we're loss averse. I mean, we know it's sort of the founding principle of behavioral finance, that people are two and a half times as upset about a loss as they are happy about a gain. And so when someone comes to us, usually a wolf in sheep's clothing, saying, you know, give me your money, because things are going to get bad. And like, this is the year it all hits the fan. And like, look how bad it is. That feels like care. It feels like they're taking care of us and that they're looking out for us because we are so fearful of losing money. It feels like Gnostic knowledge in some ways, right? It feels like we, oh, wow. Like these other Golden Retrievers are out here, you know, thinking that the world is good but, but I have this insider knowledge, and look, I'm more sophisticated and more worldly than they are. So I think it elevates us in that way, and that's appealing too. So, you know, there's a lot of stuff that's appealing about it, but I think we have to stick with the broader trajectory of humankind, which is up and to the right, and when we understand that, it becomes easier to invest.

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Steve Divitkos 47:33

I want to take our remaining time today to talk about the concept of spending and how we can spend better. And I've long been interested in this idea of using money as a tool to buy back time, because time is our most finite resource and our most valuable resource. And in your book, you said time is truly the one thing that you can buy now that will always be more valuable tomorrow. So in your experience, what are some of the best or most effective examples you've seen of people using money to buy time, and what can we learn from their experiences?

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Daniel Crosby 48:07

Yeah, one thing we know from the research is that people are terrible about this, and they dramatically misapprehend how happy buying back their time will make them versus buying a thing or like a tchotchke or a thing. So when we look at the research on on money and happiness and how you can spend it to effectively make your life better, there's a couple of things that come out. One is buying back your time, specifically getting out of work that you hate. So if you've got the money for it, and there's something that really bums you out. You shouldn't do it. Like my go to example, I live in the southeast. It is too hot, not today, but it is, you know, in the summer it's is way too hot here. And I just would rather pay a high school kid to cut my lawn then I would, and it brings me a great deal of joy. It's not cheap. I don't care like it brings me a great deal of joy to see that high school kid sweating it out out there, instead of, you know, my middle aged self. So getting out of work that you hate is a big way. The other thing we can do is buy novelty. You know, we talked earlier about habituation and how, you know, how you can get used to something. Anytime you can buy yourself a new experience, or buy yourself novelty that's going to bring about happiness, and it tends to get better with time, versus things which tend to, you know, tend toward entropy. If you go to a new country, you try new food, and you meet new people, and you hear, you know, smell, new smells, and see new sites that is all really stimulating and positive. So things like travel and time with people we love. I tend to buy us a lot of happiness. And then the other one that people misapprehend a lot is giving money away actually buys a lot of happiness. People assume that spending money on themselves and doing something kind for themselves would buy more happiness than spending on others. And that's not the case. So, you know, get out of work you hate, go see the world, have new experiences, be generous and go buy yourself a little novelty. Those are just a handful of ways so we can spend our money better.

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Steve Divitkos 50:37

The book also talks about the concept of awareness as it relates to spending. And you mentioned two particularly interesting things. First, you said directionally, that we tend to be unaware of how our past experiences with money, going as far back as our childhoods, tends to influence our current attitudes and behaviors towards money. And you also said that a lot of spending in the present tends to happen below the level of awareness, and as a result, it produces basically no enjoyment and no benefit. So I'm wondering if you could just speak further to that concept of awareness as it relates to spending, and maybe how we can go about uncovering our own blueprints, unconscious ones that might be coloring our current spending and investing behaviors.

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Daniel Crosby 51:21

Yeah, I want to speak to the growing up piece a little bit, because what I have observed, both anecdotally and experimentally, is that the way you grow up basically has everything to do with your perception of what normal is with respect to money. And this is something I talked to my kids about a lot, which is, just, look, you know, the way that you were growing up, you're thinking that a particular set of circumstances are normal, that are not, you know, not going to be normal for everyone. And so however you grew up is sort of your homeostatic point, your homeostatic set point, and the attitudes that you inherited from the community around you and your parents and your faith group, or whatever the sort of important variables were are going to have a lot to do with how you view the world. And you know, a fish, doesn't know that it's wet. We just we absorb these things as if by osmosis, and then we sort of move through the world unquestioningly, just thinking that our way is the right way, and that our reality is the right reality. And it's typically when we move in with someone or get married, that a different worldview might butt up against ours, and then, you know, someone else's financial behavior has come up against ours, and we go, Oh, wow. Like, not everyone does it the way that, that my family did it. So looking at the way you grew up, you know, I give, sort of a handful of specific dimensions in the book, in that chapter in the book. But there's a handful of specific ways, everything from, you know, a present versus a future orientation, to the way you communicate about it, to how important it is in your life. If you just sort of think about where you sit on that continuum across those five dimensions, and think about where other people might be and realize that your way is not the only way. I think that's a good way to start in terms of the actual spending behavior. You know, again, I've been on this health journey, so I'll liken it to this health journey. You know, if you look on a box of whatever, like, if you look at food, it would say, you know, eat 2000 calories a day. If you had to ask me how many calories I was eating before, I would have said, I don't know, 2000? But I'll tell you, when I started to eat 2000 calories a day, I started losing three pounds a week. And you look at this, and you go, the average American eats 3800 calories a day. That's probably what I was doing. And so when I started being aware of it, you start being aware of all the leakage. You know, the places where you grab a handful of nuts here, a little crackers and cheese there, and it all sort of adds up. The same thing is true of most people's financial lives. Not many people think of themselves as profligate, and they would go, Well, I'm not out buying sports cars and I'm not out, you know, I'm not out doing gambling or doing this. But just getting nickel and dimed at a level that's a beneath our awareness. The average person underestimates their calorie consumption by about 50% and the same thing is true of our financial lives. We just don't remember it. We just don't think about it until we start to track it. And so it's only like raising the level of awareness that actually gets us to where we need to go.

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Steve Divitkos 55:13

Interesting. Daniel, last question I'm gonna ask you might put you on the spot, so I apologize in advance for doing so. But this is a question that I do like to conclude with, and that is, what is the most meaningful lesson that you have learned over the past 12 months, and that can be in any domain of your life, personal, professional, spiritual, emotional, anything?

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Daniel Crosby 55:34

Yeah, the thing that I think the most, I'll go back to your comment earlier about not needing to learn, but needing to remember. Every Christmas, like every holiday season, is a good reminder to me of what life is all about. You know, I think at throughout the the year pulled in a million directions, and then at Christmas, when I have time to take a pause and I'm surrounded by the people I love, I go, Oh yeah, that stuff I was worried about was kind of dumb and like, this is what matters, right? This is what matters is these people that are around me. So, you know, coming hot on the heels of the holiday season here, I think that, you know, I try and read a book a week. The most important thing wasn't in any of the 50 books I read last year, or the book that I wrote, or any of that the most important thing was that, that feeling of going, Yeah, that other stuff is dumb. This is what matters. Let's get more of this. I'm gonna go with that simple, but powerful answer. I think.

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Steve Divitkos 56:47

I love that. Dan, this has been a total treat. Like I said, I'm a big fan of your work. I've followed you for a while. Really enjoyed your book. To the extent that people want to learn more, either about your work or the book. Is there any place that you would direct them to?

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Daniel Crosby 57:03

Yeah, I have a podcast called Standard Deviations where we're talking about meaning and purpose in life all year. Come check it out and definitely go read *The Soul of Wealth*, 50 Reflections on Money and Meaning.

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Steve Divitkos 57:15

Daniel, it was a treat to have you today. Thank you for your time.

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Daniel Crosby 57:18

My pleasure. Steve.