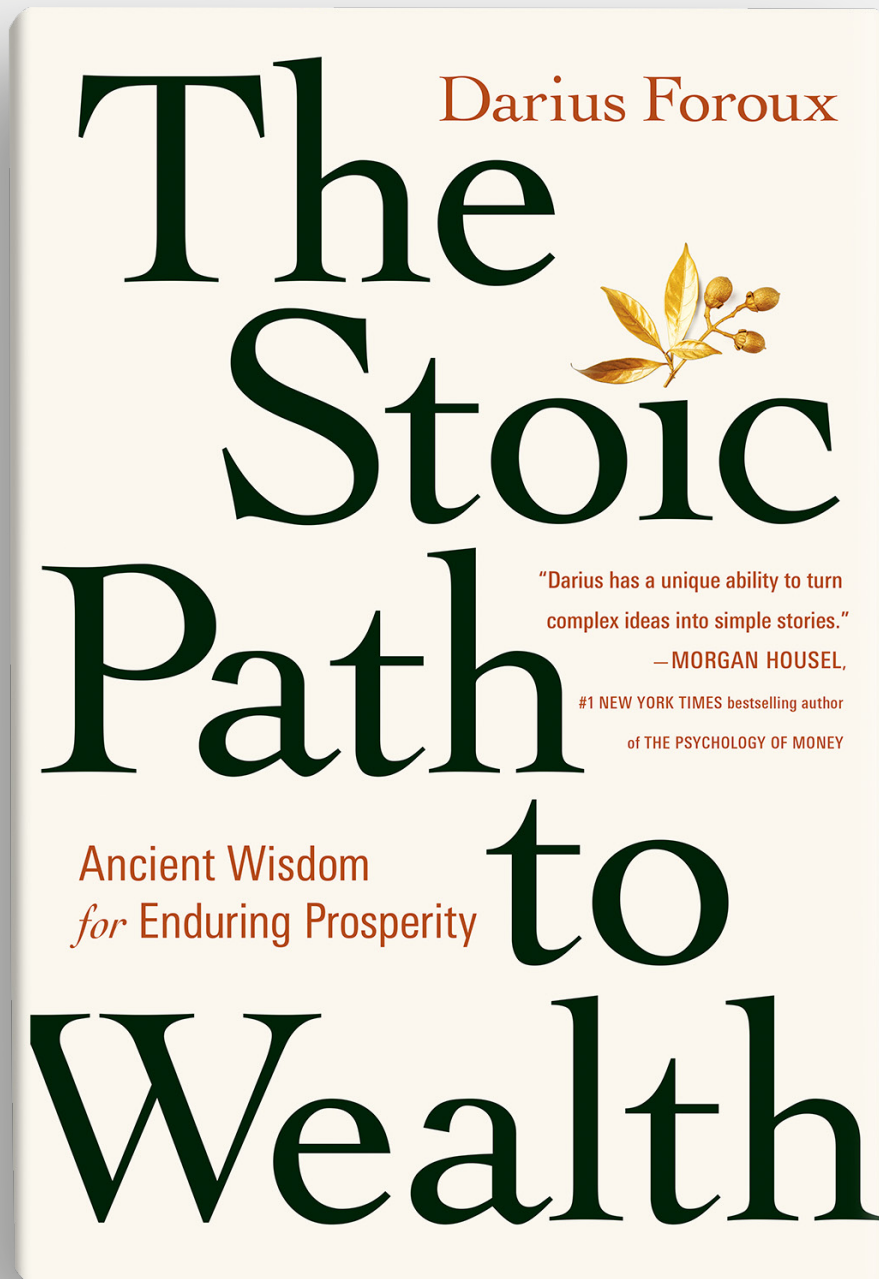


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• *Introduction* •

Why Stoicism Helps to Build Wealth

My Pursuit of Enduring Prosperity

I was born in Tehran at the height of the war with Iraq, in 1987. One year later, my mother left the country for the Netherlands, where she already had family members who had made the same move several months earlier. My father wasn't allowed to leave the country during a war, so my mother had to make the trip alone. When she arrived at the Dutch immigration services, she had no money and just one suitcase; that was all. My father arrived in 1990 without any possessions. He had needed to travel by land, which took him nearly two months. It sounds dramatic, but it's the story of millions of people around the world. If you're living in the United States, the land of immigrants, your parents, grandparents, or great-grandparents probably came to the country under similar circumstances.

Everyone who leaves their birth country out of necessity needs to start from nothing. My parents had to get educated again, learn a new language, adapt to a different culture, build a social life, and build a better future for themselves, my brother, and me. For as long as I can remember, our family lived paycheck to paycheck; we were up to our necks in debt. In our house, everything revolved around money, or rather the *lack* of it.

My parents did their best to raise us comfortably, but they always argued about the price of everything, from groceries to clothes. Despite our limited means, my brother and I never went to bed hungry and even had a Nintendo gaming console. But somehow, I felt guilty. Like I was the cause of their financial problems. Even though I didn't know the exact details of the financial struggles of my parents, I could sense the constant tension in the house. I was afraid of losing everything we had. A recurring thought of mine was *If they didn't have me, they wouldn't have to spend all this money and they would not argue.* I realize now these were the thoughts of an overly responsible child. But my childhood did instill a sense of urgency in me. I was determined to become rich so we wouldn't have to live that way anymore.

That's what led me to pursue business and finance in college. I remember how my classmates struggled mightily choosing the right major. To me, it wasn't even a question. My only goal was to make a lot of money. And I believed that having a business degree was the highest-probability path to my goal.

In 2007, when I was still in college, I got a job at ING, a Dutch multinational bank. ING was on an international tear at the time, with offices across the globe. This was before the global financial crisis, and the industry was a lot less regulated than it is now. In the evenings I worked at ING, initially in the personal banking division, where I helped clients with mundane tasks like requesting credit cards or applying for personal loans. After three months of selling a lot of credit cards to clients, I was offered a position as mutual funds adviser in the investing division. It was a dream come true. In my teens, I had loved the world of finance that was glorified in movies like *Wall Street* and *Boiler Room*. When I received that opportunity, I imagined myself selling stocks on the phone just like Charlie Sheen's character, Bud Fox, in *Wall Street*. I didn't sell stocks of

individual companies like Bud did, but I sold mutual funds, baskets of stocks, which was close enough for me. I *felt* like a stockbroker.

It was astonishingly easy to become an adviser in the Dutch financial services industry at the time. I participated in a three-week training program, and I was good to go. My assignment was simple: call existing clients who already invested in other financial products and persuade them to invest money in the latest mutual funds that the bank had introduced. The pitch was glorious, and calling clients was a great experience. This was a time when people actually loved talking to someone at their bank, when people still trusted bankers.

Looking back, however, I can't help but think, *How on earth could a twenty-year-old kid with a three-week training program advise clients about what they should invest in?* It was all about profit. The bank would consistently release new mutual funds with specific themes like sustainable energy, emerging markets, technology, you name it. A mutual fund is a basket of stocks that are picked by a fund manager. When you invest in these funds, you piggy-back on the potential success of the fund manager. The goal was to sign up as many investors as we could, because the bank earned a fee on the money clients would invest. And signing up clients was easy, because who can resist the promise of earning money without working for it? Just invest money in a fund and wait till you get rich.

After my first few deals, I thought I was an investing genius. I talked about my work with everyone: my family, friends, fellow students, professors. I even bought shares of ING with the money I made at the bank. Immediately after I bought the stock, I was rubbing my hands together, waiting to get rich myself. I bought the stock for around \$27. But one year later, ING Direct was trading around \$3. I had started investing at the height of the housing market bubble that caused the finan-

cial crisis of 2008–9. I felt sick to my stomach when I lost that much money. It was a feeling that haunted me for years.

While I didn't sell at the bottom, I held on to the stock until 2011, when I finally couldn't take the emotional roller coaster anymore and sold it at around \$11 a share. I had lost 60 percent of my money in four years. Meanwhile, the broader market had already recovered its losses and was even higher than before the financial crisis. While I invested only around \$2,000, losing more than half of what you have hurts no matter what the dollar amount is. As if the pain of growing up with financial struggles weren't enough, I got burned in the stock market too. Investing was too hard. Like everyone who loses money in the stock market, I thought it was for rich people or Wall Street bankers with three-piece suits. Even though I had a master's degree in business administration and specialized in finance by that time, I had no confidence in building wealth through the stock market. I had given up the day I sold my stock.

The truth is we can't afford to *not* invest. Everyday life is getting more expensive. The prices of groceries, gas, insurance, energy, and almost everything else are going up. Many people can't afford to buy a house. What's worse, not all wages are keeping up with inflation. In reality, your wealth is either stagnating or decreasing every year . . . unless you own assets. The graph on the next page shows what inflation does to your cash over time. Between 1980 and 2022, inflation averaged 3.06 percent a year in the U.S. (that includes the high inflation of 2021 and 2022).

In comparison, the market (when I talk about "the market," I am always referring to the S&P 500 index, which contains the five hundred largest publicly traded U.S. companies) achieved an 11.44 percent average annual return since 1980. Returns since the 1928 inception of the S&P 500 have been roughly 10

MY PURSUIT OF ENDURING PROSPERITY

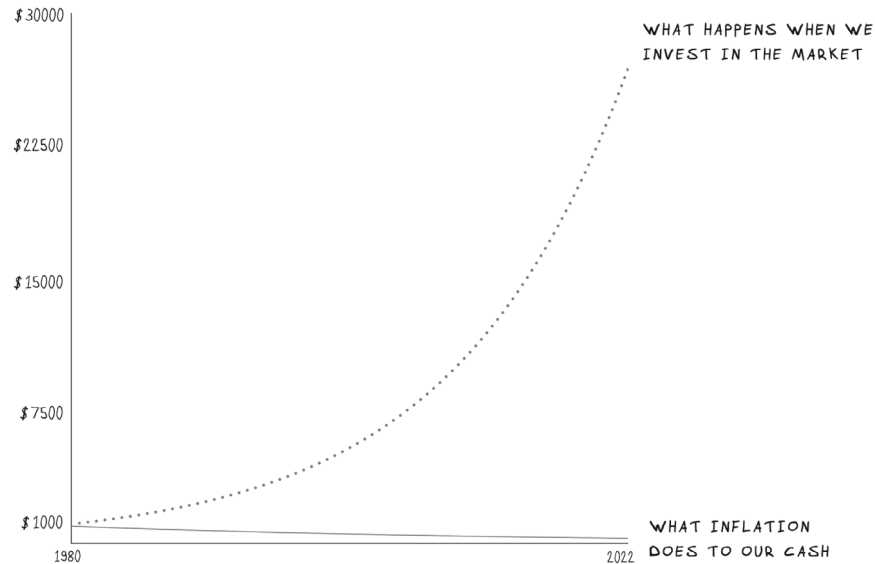


Figure 1: The difference between positive compounding in the stock market and the negative compounding due to inflation.

percent per year. If we correct that for inflation, the market returned 8.38 percent a year. It doesn't sound like a lot. But look at the alternative, which is to stay in cash.

For cash holders, this is an ugly picture. Imagine you had put \$1,000 under your mattress in 1980. Forty-two years later, in 2022, that money would have a real value of \$240. But if you had invested that money into the S&P 500 index, you would have a real (inflation-adjusted) return of \$29,632.50. In that time period, we've experienced wars, recessions, natural disasters, political tension, stock market bubbles, interest rate increases, and a severe financial crisis. We also went through a global pandemic, which caused nearly seven million fatalities along with a range of secondary problems like double-digit in-

flation, supply-chain issues, and a labor shortage. And all the while, asset prices went up. The problem is that not everyone owns assets. That causes the wealth gap.

Pretty much every country across the globe, no matter how developed, has a problem with rising inequality. For example, the wealthiest and most prosperous nation in the world, America, has seen the wealth gap between its richest and poorest families double from 1989 to 2016.

It's no wonder economic inequality has captured the attention of politicians and economists for the past few decades. But despite this, not much has changed, because the majority of people are focusing on increasing their salaries. While earning more might give you immediate financial relief, it's not the path to long-term wealth. Data show that for the 99 percent of taxpayers making less than \$500,000, salaries and wages account for 75 percent of their income. For millionaires, their salaries only account for 15 percent to 50 percent of their income.

So here's what we know about getting rich: invest your money in reliable assets, and let it grow over time. It sounds so easy, and yet it's one of the hardest things to accomplish in life. Because we don't just want to get rich at all costs. We want more money, but we also want peace of mind at the same time. Those two things don't always go together. You can have so much money you never have to worry about paying the bills and still be terrorized by anxiety about losing that money.

We should prosper financially and mentally. When your finances are solid while your mind is peaceful, that's true wealth. When you no longer solely rely on working to earn money, when your money compounds on its own in the stock market, that's when you can finally liberate yourself from the trap of exchanging your time for money.

While the economy keeps growing despite cataclysmic

events and, as a result, the market keeps going up, there are a few challenges when it comes to successful long-term investing.

Challenge #1: Volatility

Many of us recognize that having exposure to the stock market is a good way to build wealth. The problem is that investing in stocks is difficult because the market is so volatile. Prices constantly go up and down, which plays into two powerful human emotions: fear and greed. We feel fear when the market is going down. We get greedy when the markets start going up and feel the urge to pour our life savings into the market at once.

This dynamic has been magnified in public markets since 2020. Since the COVID-19 pandemic, trading stocks has become more popular than ever. In 2011, individual investors made up a little over 10 percent of total trading volumes in the stock market. By the first quarter of 2021, it was nearly 25 percent.

But markets have been more treacherous. One way to measure volatility is by assessing how often the S&P 500 makes at least a 1 percent move in either direction within a single day. In 2022, the frequency of such swings for the S&P 500 had been more than 87 percent of trading days, a rate previously observed only during the height of the global financial crisis of 2008. Another measure, the CBOE Volatility Index (or VIX), which measures the market's expectation of near-term volatility, has remained elevated from February 2020 all the way through early 2023.

All of this is to say: volatility is high, which makes the market seem erratic. If you try to react to the daily changes in stock prices, either you will lose money or you will stay on the side-

lines. You will be successful if you maintain composure in spite of the fluctuating nature of the market.

Challenge #2: Consistency

Picking the right investment strategy is hard. You have literally hundreds of thousands of options to invest your money. Most stockbrokers offer the ability to buy stocks and commodities from all over the world. As I'm writing this, there are more than fifty-nine thousand companies worldwide that you can invest in. Then there are countless other investment vehicles, like ETFs, mutual funds, bonds, and commodities such as gold, silver, copper, and cryptocurrencies.

What's more, there are thousands of "experts" who predict all kinds of events in the economy. There are people on social media who have been warning for a decade of a total collapse of the dollar. Our world is getting faster, louder, and more chaotic, which is only overwhelming us. We can't distinguish what matters from what doesn't and what's true from what's not.

And if we do try to invest in something, we're distracted by the next best thing that comes our way. We try too many different types of strategies, which prevents us from ever being consistent. Successful investing comes down to tuning out irrelevant information, having the strength to stick to your strategy, and resisting the urge to follow other opportunities.

Challenge #3: Prior Losses

Losing money in the stock market is common. Studies that look into the success rates of those individual investors who are

highly active show that only between 1 percent and 3 percent make money in the short term. It's hard to imagine that up to 99 percent of all traders lose money, but I'm not surprised. Every person I've spoken to who ever tried their hand at buying and selling stocks has lost money.

Trading stocks for short-term profit always *sounds* great (who doesn't want to make money with a few clicks on their stock-trading app?), but by the time people find out the odds are stacked against them, they have probably already lost enough money that they are fed up with stocks.

What about the pros? About 80 percent of professional money managers underperform the S&P 500 index. This is why so many people have a bad experience with investing. The odds are you've lost money by investing too. And I know from personal experience that when you get burned in the market, you would rather stay away. But you also realize you're missing out on free money. That's essentially what investing in stocks comes down to: putting your money into the market and waiting until you get rich.

Why Managing Your Emotions Is the Key to Investing Success

I always believed that investing was an intellectual puzzle. I thought, *If only I had the right formula*, as if investing were like a math equation you could solve. I was not the only one. In the year 2021 alone, more than eighty million books were sold in the business and money category. Many of these books cover the rational aspects of investing. They teach you a methodology for investing. This is what makes so many of us think that investing is just a matter of learning how to do it from a

practical point of view. The truth is that professionals know that investing is not about theory or knowledge; it's about managing your emotions.

Benjamin Graham, who created the first systematic approach to investing in the 1930s, said: "Individuals who cannot master their emotions are ill-suited to profit from the investment process."

This stands in stark contrast to popular belief. The movie *Pi*, released in 1998, best captures the idea that millions of us have about investing. The movie follows a world-class mathematician named Max Cohen, who tries to uncover numerical patterns behind the stock market so he can predict its direction. But no matter how much effort he puts into his pursuit, he can't find a way to predict the market, which drives him insane. Max eventually destroys all his work and gives up. Max's pursuit is something many of us have experienced in a less dramatic way. We start to invest by listening to advice from the news or social media, lose our money, get emotional, and decide that investing is only for Wall Street professionals. I experienced that during the 2008 stock market crash, which wiped out \$10 trillion of wealth in America.

I thought that more knowledge about investing and finance would help me to avoid losses. In addition to getting my degrees, I studied the strategies of successful investors. I learned about value investors like Warren Buffett, Charlie Munger, Peter Lynch, Bill Ackman, Geraldine Weiss, Joel Greenblatt, and more. These investors have a long-term strategy that's mostly focused on picking good-quality companies to invest in. But to expand my range of stock market knowledge, I also studied traders like Jesse Livermore, Martin S. Schwartz, Martin Zweig, Paul Tudor Jones, and many others. This side of finance is different from investing. Traders are more concerned with generating a short-term profit by benefiting from price dif-

ferences. They buy an asset intending to sell it at a higher price. They are not always interested in the underlying value of the asset, as long as it's going up.

But it wasn't until 2017 that I finally figured out the *real* key to investing success, ten years after I bought my first stocks. After all this effort to educate myself, to master the principles of investing, I was still too afraid to actually risk my own money in the market. Every few years I would invest in some stocks, but I never found a way to be consistent. I felt like Max Cohen in *Pi*. I just wanted to give up. Because no matter how much knowledge I gained, I still had nothing to show for it. I'd love to tell you that I turned to philosophy out of curiosity, but it was out of necessity. My pursuit of wealth was leading nowhere, and I felt I had to protect my sanity. One day I was reading Seneca, one of the most prominent Stoics, when I finally understood why I had stopped investing and never gotten back in. Seneca wrote:

Every emotion is weak at first, then it rouses itself and gathers strength as it advances; it is more easily kept out than driven out. Who denies that all emotions originate in a natural beginning? Nature has entrusted us with care for ourselves, but when you indulge in it too much, it is a fault.

I had let my emotions gather strength over the years. Eventually the fear of losing money in the market had become so fierce that it paralyzed me. And I was looking for the wrong cure. I thought that more knowledge could help me to make money, but what I truly needed was care for myself, as Seneca said. I had to stop indulging in my emotions. Everything started to click. It felt like I had an entirely different perspective on an old topic. It was like looking at a problem from a new angle. For years I had been stuck in the trenches. Now I

was in a helicopter looking down and seeing the complete picture. I realized:

1. To build wealth in the stock market, I need to master my emotions.
2. To master my emotions, I can use Stoicism.
3. Then I can apply Stoicism to my investing strategy so I master my emotions in the stock market.
4. When I do that, I can be consistent and let my money compound over time.

After my eureka moment, I was eager to learn more. Surely someone had written about how you can use Stoicism to become a better investor. But it didn't seem like anyone had—so I started to document my own journey as a Stoic investor.

In July 2015, I started publishing a newsletter and articles about philosophy, careers, personal finance, and business at dariusforoux.com. I've published over five hundred articles, which have been read by more than thirty million people ranging from C-level executives at Fortune 500 companies to professional athletes. My work has been featured in publications like *Forbes*, *Entrepreneur*, *Business Insider*, and *The Economist*. In 2020, the publishing platform Medium commissioned me to write a weekly column about Stoicism, which has attracted more than 275,000 followers.

I had studied and written about both Stoicism and investing separately for years, but it wasn't until February 2021 that I publicly wrote about the two topics combined. I had been secretly putting my Stoic investing strategy to the test for *years*. Once I started to invest by Stoic principles, I instantly saw the benefits in the form of mental fortitude and positive returns on my stock portfolio. My big test came in March 2020, when the S&P 500 dropped 34 percent in a month. My old self would've

MY PURSUIT OF ENDURING PROSPERITY

been scared out of his mind and sold at the bottom. My Stoic self just kept calmly investing. I was certain this strategy was working, and I knew it was time to share what I had learned. That's when I started working on an article with the title of the book that you're now reading. In the article, I briefly introduced the idea of the Stoic Path to Wealth. I was immediately flooded with emails and messages from readers who wanted more. I knew I needed to write that book we were looking for.

Build Wealth by Applying Ancient Wisdom

Stoicism is a philosophical school of thought founded by Zeno of Citium in Athens, in the third century BC. Zeno came from a wealthy merchant family in Citium, a Phoenician city located on the island known today as Cyprus, and he followed in his father's footsteps to become a merchant. On what seemed like a normal voyage to sell goods, he got shipwrecked off the coast of Athens, losing all his cargo. Zeno lost a fortune that day.

He decided to go to Athens, where he found a book that described Socrates and his life. Zeno asked the bookseller, "Where can I find a man like that?" At that moment, an Athenian philosopher named Crates happened to be walking by the store. The bookseller simply pointed toward the man—*that's your guy*. And that's how Stoicism was born. Zeno experienced loss, tried to find answers in a bookstore, found philosophy, and immediately wanted to learn more. Isn't that how all of us discover philosophy? That's all it is: the pursuit to address one's pain, all to find inner peace.

Stoicism spread from one teacher to another and slowly grew in popularity throughout Greece and Rome. It was a

useful philosophy to help navigate the political unrest, conflict, and civil war that abounded. While our world is very different from ancient Rome, Stoicism's lessons remain relevant. Its simplicity and usefulness are why it has stayed alive through the centuries after Zeno.

The foundation of Stoicism is the principle of knowing what you can control and what you can't. The truth is that we control only our actions, beliefs, and judgments. We have no control over external things like other people's opinions, the economy, aging, accidents, and even the outcomes of our decisions. And yet we insist on obsessing and worrying about these things that we don't control, which is exactly why so many of us struggle mentally and financially.

By simply focusing our energy on what we control and not worrying about what we don't control, we can attain inner tranquility. A Stoic person always has an edge in volatile situations. When others lose their temper or succumb to their emotions at the slightest setback, the Stoic always remains calm and looks at the facts. But Stoicism is not about controlling what happens to you; it's about controlling how you *respond* to what happens. The goal is to live in the present moment, free of worries about the things you can't control.

Introducing the Four Most Prominent Stoics

I will introduce you to the ideas of the Stoics through a financial lens in a way that will make sense whether you're a seasoned student of Stoicism or a novice. Throughout this book I will quote the most prominent Stoic philosophers. Let me introduce them to you briefly so you have a better understanding of who they were.

THE STOIC PATH TO WEALTH

Introducing the Stoics		
WHO	WHEN	WHAT THEY STRESSED
Lucius Annaeus Seneca	(c. 4 BC–AD 65)	Attaining true freedom by practicing nonattachment to one's wealth
Gaius Musonius Rufus	(c. AD 30–c. 101)	The importance of simple and frugal living as a way to strengthen one's character
Epictetus	(AD 55–c. 135)	Radical acceptance of things one cannot control and a focus on improving oneself
Marcus Aurelius	(AD 121–180)	The importance of fairness and honesty in dealing with others

Lucius Annaeus Seneca was a Roman statesman and philosopher born around 4 BC. He was born into wealth and had a successful career in politics. In his fifties, he withdrew from public life to write philosophical works. He was later implicated in a conspiracy against Emperor Nero and was forced to commit suicide in AD 65.

Gaius Musonius Rufus, born around AD 30, was a Stoic philosopher who was born into wealth. He spent his life teaching philosophy instead of pursuing a career in politics like his father. He valued the practice of philosophical exercises and

living a frugal lifestyle for self-improvement. Musonius was inspired by the early Stoics, and the school where he taught philosophy was highly respected.

Epictetus, born around AD 55 in Greece to an enslaved mother, attended classes taught by philosopher Musonius before being freed from slavery and teaching Stoicism in Rome. He later founded his own school in Nicopolis, Greece, and emphasized the importance of accepting anything that happens to us without being defined by external factors. His student Arrian recorded Epictetus's teachings and published them as *Discourses* and *Enchiridion*.

Marcus Aurelius was born in AD 121 and became co-emperor of Rome at nineteen. He expanded Roman rule to encompass Germania and Raetia. These territories include the modern-day countries of Germany, Austria, and Switzerland, as well as parts of the Netherlands, Belgium, and France, which essentially meant he ruled almost the entire continent of Europe. Aurelius learned about Stoicism from Epictetus, whose teachings he quoted in his only published work, *Meditations*. It consists of personal reflections and philosophical insights that Marcus Aurelius wrote during his most stressful time as emperor. Rather than being a formal discourse on Stoicism, it is an intimate look into the thoughts and ideas of a man striving to understand himself, the world around him, and how to live a virtuous life.

Merging Stoicism with Investing

At its core, Stoicism is a survival strategy. Stoicism is not just a set of beliefs; it is a way of protecting your sanity. But you can also apply Stoicism to protect your money. Most people, however, assume that the Stoics had an aversion to money. After all,

earning and losing money is something that's not fully within our control. According to traditional Stoicism, the only things that are within our control are our actions and judgments.

Following that logic, we could say that because money does not fall within our control, it's bad. But here's what Epictetus, one of the most stringent Stoics, said about money: "If you can make money remaining honest, trustworthy, and dignified, by all means do it. But you don't have to make money if you have to compromise your integrity." I love this mindset because it doesn't judge those with ambitions of having money.

Want to get rich? Go after it. And if you don't get rich? No problem. Simply focus on doing the right thing and forget about the outcome.

The idea is that good behavior leads to a good life, a life of contribution, loving relationships, and peace of mind. The Stoics were investors. They gave up instant gratification and bad habits to increase their odds of living a peaceful life. That's exactly the key: to find financial fulfillment is to invest in yourself. You part ways with some of your money today so it compounds and you have more of it in the future.

The challenges we face with volatility, consistency, and prior losses stem from an inability to stay levelheaded. After all, who doesn't want to compound their money? The problem is that we let our emotions take control of our decisions. We talk ourselves out of investing and make financial decisions that are not in our best interests.

When you let your investing decisions be guided by Stoicism, you will be the master of your emotions and, in turn, your finances. You will develop an edge that will sow the seeds of long-lasting wealth in the stock market.

How to Build a Stoic Edge in Three Steps

Every investor who has found success in the market has had some sort of advantage: an *edge*. Having an edge means you have something, be it information, skills, or strategies, that gives you an advantage over every other investor in the world. Before I propose a solid and proven edge to you in this book, let's briefly look at four common types of advantages that successful investors have had.

1. **The information edge:** By researching a company and industry thoroughly, you can get a good understanding of that company's competitive position in the market. The more information you can acquire and consume about any given company, the better investment decisions you can make. And you don't need to rely only on investment analysis done by others. If you're considering investing in an ice cream company, you can do your own surveys and research into the company's products. Acquiring an information edge is harder than most people assume. You need to draw new conclusions from the information publicly available, which can take

hours of analysis and requires a comprehensive understanding of investment theories. The positive is that information is freely available, which makes the information edge attainable in theory.

2. **The quant edge:** In the late 1960s, former math professor Edward Thorp started a hedge fund that was different from everyone else's. Thorp used quantitative analysis to beat the market for nearly every year of his fund's existence. The funds that use such strategies are now called "quants," and they use complex math to make trading systems. These funds employ PhDs from all fields with one goal in mind: use math to get an advantage in the market. The mathematical skills required to create a quant edge are immense, making it the least accessible edge.
3. **The size edge:** To the outside world, Warren Buffett is known as the most successful investor in history. To insiders and people who've studied his life, he's an insurance man who invested the premiums of his customers. Buffett built his wealth through an investment vehicle called Berkshire Hathaway, a former textile company that also serves as a holding company. Among its holdings are insurance companies like GEICO, Gen Re, MedPro Group, and eleven more. Warren Buffett and Berkshire made exceptionally smart decisions with all the premiums people paid to their insurance companies. Because they had access to so much extra capital, they could buy a lot of companies outright with the cash at their disposal. You can do that only if you are a large financial player. The idea of a size edge is very simple, but it's hard to obtain because very few people have access to enormous sums of cash.

4. **The Stoic Edge:** Personal investing is done by humans. Even if we decide to make use of AI or a robo-adviser to develop an investment strategy, we make the final calls. And human decision-making is often flawed because our emotions are at play. An investor who manages their emotions and doesn't make any common mistakes automatically has an advantage over the investors who don't have that ability. I call that the Stoic Edge, and all the successful investors I've studied possess that edge. After all, it's impossible to stay wealthy by making too many mistakes and losing money. Unlike the information edge, the quant edge, and the size edge, the Stoic Edge is attainable for every investor and easily grasped.

These advantages are not mutually exclusive. An investor like Warren Buffett has multiple edges. He has an information edge because he spends an average of five hours a day reading everything from newspapers to annual reports on the companies he's interested in. Through his reading, he examines companies that most people overlook. It also happens that Buffett is the biggest investor in the world, often having more than \$100 billion in *cash* alone. But he doesn't have only a size and information advantage; he also has the most admirable Stoic Edge in the world of investing. Dozens of books are dedicated to dissecting Warren Buffett's investing strategy and behavior. The goal of these books is to look at what makes him successful so we can copy that behavior. But what those books miss is that the average investor lacks all the advantages that Buffett has. It's difficult to have one advantage in the market, let alone three. That's why most people who read about successful investors don't become wealthy in the market unless they have an edge.

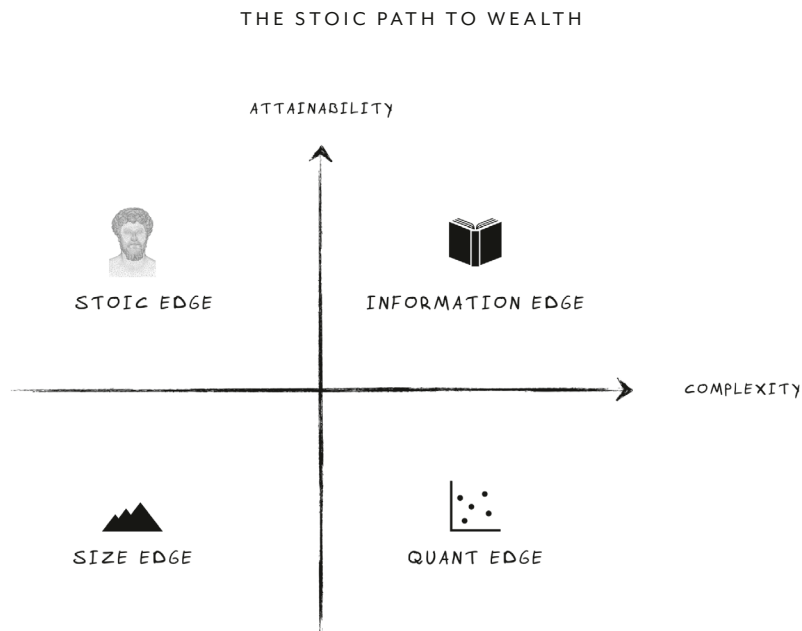


Figure 2: The Stoic Edge ranks high in attainability and low in complexity. That makes it the ideal edge for all investors.

Three Steps to Build a Stoic Edge

The edge of a Stoic is their indifference to everything that's outside their control. If you look at day-to-day situations, you'll see that we waste a lot of emotional energy by responding to things we don't control. Getting angry because there's traffic is a waste of your energy. Looking at your portfolio during a stock market crash is equally fruitless. What matters isn't what happens to us; it's how we *respond*.

Here's my proposition: To build long-term wealth in the stock market, you need to invest throughout your lifetime, no matter what's going on. To be so consistent that you keep investing in spite of feelings like fear and greed, you need to develop the only edge that's accessible to all investors: the Stoic

Edge. When you possess that edge, you will have the mental fortitude to stick to your investing strategy, which will make you wealthier over time.

No matter what type of investing strategy you currently follow, you will benefit from adopting a Stoic Edge. If you're a value or growth investor, the Stoic Edge helps you to avoid selling your stocks during a time when you should be staying the course. If you're a momentum trader, the framework of this book helps you to remove the slightest bit of hesitation or conflict from your trades.

What if you don't have an investing strategy? You're not alone. A survey showed that half of the Americans who want to invest in stocks don't know where to start. Based on the research and experience of the smartest investors in history, there is one strategy that gets recommended repeatedly. It's a strategy that provides good returns and has a proven track record since the 1920s, namely, passive investing in an exchange-traded fund (ETF) that tracks the S&P 500 index.

An ETF gives you exposure to a basket of stocks or other securities without your having to purchase them individually. ETFs are issued by investment companies such as BlackRock, Vanguard, and Fidelity, which then go out and buy each of the stocks in that basket. The ETFs trade on a public exchange and can be purchased through a stockbroker. For instance, the Vanguard S&P 500 ETF is highly popular and can be found via any stock-trading app with its ticker symbol (a unique symbol that allows you to identify an asset on an exchange), VOO.

When you invest in an S&P 500 ETF, you instantly invest in the five hundred largest companies across eleven sectors (like health care, technology, real estate, financials, and so forth) in the United States. Why the U.S.? Even if you live in any other country in the world, and are happy living there, you still want to put your money to work in the greatest economy in the world.

THE STOIC PATH TO WEALTH

This is why I personally invest in the S&P 500, and I recommend this strategy to my family members. The beauty of this strategy is that it takes almost no time to execute and has a proven track record. The S&P 500's return of 11.44 percent a year on average (since 1980) means your money doubles roughly every six years. That doesn't sound like a bad deal to me, considering the fact that it takes virtually no time to invest in the S&P 500. But to make sure you *stick* to that strategy for your entire life, you need a Stoic Edge.

What I've done in this book is extract the most important lessons from Stoicism, apply them to wealth building, and then boil them down to three simple steps that you can easily remember. If you follow this path, you will acquire a Stoic Edge, which will help you to build wealth in the stock market.

The foundation of this book is based on three steps that are backed by Stoicism, namely: (1) investing in yourself, (2) ac-

THE STOIC PATH TO WEALTH

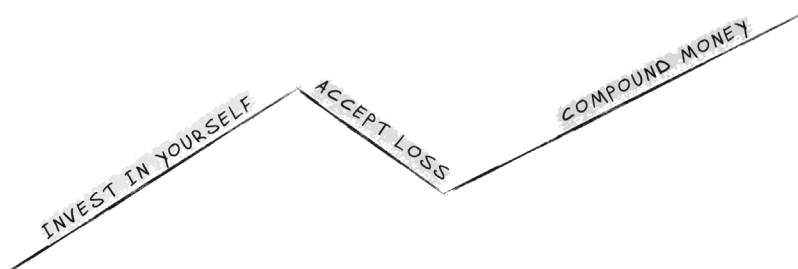


Figure 3: The Stoic path to wealth starts with investing in our skills and earning money. When we can distance ourselves from our money, and accept the idea of potential loss, we can allow it to compound.

cepting loss, and (3) letting your results compound over time. I believe this is the first framework for building a Stoic Edge as an investor. Each step ties into the most important aspect of investing and of Stoicism: managing your emotions. This path might not create overnight millionaires. But it does help you to build wealth.

How This Book Helps You to Build Wealth

While investing philosophies help you to get the best return on your money, Stoicism helps you to get the best return on your *time*. The Stoic Path to Wealth does both. It helps you to build wealth through the stock market while protecting your time and sanity. You'll find a combination of ancient wisdom and practical advice from modern successful investors. I will give you a synthesis of the most useful ideas wise philosophers and investors have already figured out.

Every chapter starts with a profile of an investor. A book about wealth building that doesn't include stories about prolific investors like Warren Buffett, Peter Lynch, John Bogle, and Stanley Druckenmiller would be lacking a huge part of financial history. Even though you might know about these investors, in this book you will uncover new insights about their lives in terms of Stoicism.

In addition to these well-known investors, I also tell the stories of phenomenally successful yet lesser-known people like Geraldine Weiss, Cathie Wood, Jesse Livermore, Edward Thorp, and Mohnish Pabrai. Weiss was the first successful female investor on Wall Street, paving the way for women on Wall Street today. Wood changed the way we look at disruptive companies and short-term financial losses. Livermore was the first famous Wall Street trader who built a booming career

out of buying and selling stocks—and young traders still admire his advice from more than one hundred years ago. Thorp was the first to introduce math to investing. Pabrai is the most striking example of an immigrant who built a fortune in the U.S. by executing solid investment advice instead of reinventing the wheel.

I've extracted the lessons from these investors' lives and put them into the terms of Stoic philosophy. The structure of every chapter is as follows: First you'll learn about the defining time of an investor's career, and then I'll show how you can apply those lessons in a Stoic way in your own journey toward building wealth. Every chapter also includes a small segment called "Meditate on this." These are Stoic thought exercises meant to practice your ability to control your emotions.

Finally, at the end of the book, you'll find a section called "Stoic Investing Techniques." This section will answer all your "How should I do this?" questions. If you have an appetite to pick individual stocks or trade options, futures, crypto, and so forth, I will also give you a method for trading that you can use in conjunction with your other, long-term, investment strategy. Even though I'm a long-term investor who invests in the S&P 500 index, I also trade individual stocks and futures. But I pick my trades carefully, cap my losses, and, most important, make sure my trading is profitable.

When it comes to building wealth, it's not about how much you know; it's about how good you are at managing your emotions. The better you manage your emotions, the more consistent you will be. The more consistent you are, the better you can execute your investing strategy, which is what makes you wealthy. This mental aspect of investing is by far the most important part. By the end of this book, you will have that Stoic Edge.

HOW TO BUILD A STOIC EDGE IN THREE STEPS

MEDITATE ON THIS . . .

*That things have no hold on the soul.
They stand there unmoving, outside it.
Disturbance comes only from within—
from our own perceptions.*

—Marcus Aurelius

The Stoic dichotomy of control says that we control our actions but not the outcomes of what we do. A person who always eats healthy and exercises can still die from heart disease.

What do we control when it comes to investing? Our strategy and whether we follow through. Form the habit of looking at your actions when you talk about investing. What are you going to do? And how are you going to do it?

Avoid thinking about outcomes. How much will you actually earn with investing? When will you cash out? These outcomes are not within our control, so it's a waste of energy to focus on them in the present moment.

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