

Save Like a Pessimist and Invest Like an Optimist

I'm pecking at the keyboard in the middle of a severe market correction in both the stock and crypto markets. Chicken Little is starting his "sky is falling" campaign and things could very well get worse before they get better. It's a bit laughable that people forget that markets don't go up in straight lines and are indeed cyclical - I'm sorry to say that this time isn't any different. Everyone feels like a genius in a bull market, but these are the lessons "bull market geniuses" never learn:

1. Leveraging Limits Optionality

- It's a euphoric feeling (or so I'm told) when your returns are multiplied by debt.
- However...it's catastrophic when leverage cuts the other way.

2. Cash Isn't Trash

- Cash looks like trash when assets are in a bull market and inflation is rearing its ugly little head due to interest rates near zero and the printing presses creating money out of thin air around the globe are working overtime.
- Cash is *King* when the market inevitably corrects and removes excess from debt-driven euphoria.

3. The Trend is Your Friend Until the Bend at the End

- It's easy to get caught up in the good times and believe you will be able to time the downturn.
- But all of a sudden, when there is nothing but red on your investment statements, people are surprised that assets have corrected 20-40% in a blink of an eye.

Don't get me wrong, I'm a (Gen Y) Finance Guy through and through, but these are the lessons I make sure I never lose sight of whenever I'm feeling like a boss. There is a reason I don't always do what "academic finance" would prescribe as optimal. I don't optimize for the highest financial return but instead for maximum peace of mind, which to me means not losing. I don't have the energy to be one of those people who make and lose fortunes several times in their lifetimes. Life is too short (and I've got other things I want to spend my time on)!

I'm debt-averse because I value optionality over magnified financial returns. I choose to use the forms of leverage that aren't catastrophic when the music stops and the debt collector shows up at the most inopportune time. I find it funny that although many forms of leverage are available to you in your pursuit of wealth, financial leverage gets all the attention. Below is a list of the six major forms of leverage available; I choose to over-index on 2 through 6:

1. **Financial Leverage:** Other people's money so that you are not limited by your own pocketbook.
2. **Time Leverage:** Other people's time so that you are not limited to 24 hours in a day.
3. **Systems and Technology Leverage:** Other people's systems and technology so that you can get more done with less effort.
4. **Marketing Leverage:** Other people's magazines, newsletters, radio shows, and databases so that you can communicate to millions with no more effort than is required to communicate one-on-one.
5. **Network Leverage:** Other people's resources and connections so that you can expand beyond your own.
6. **Knowledge Leverage:** Other people's talents, expertise, and experience so that you can utilize greater knowledge than you will ever possess.

Note: I got the above from Todd Tressider's book [*The Leverage Equation: How to Work Less, Make More, and Cut 30 Years Off Your Retirement Plan \(Financial Freedom for Smart People Book 6\)*](#)

I'm constantly de-risking, which is why I am 100% debt free for the second time in the last four years. That stance was also a big motivator for why I was opportunistic in selling 60% of my company when I did. Did I leave money on the table? Absolutely! There is no doubt about that but it remains a decision I would make over and over again to maximize peace of mind and minimize stress. I also de-risk by building up large piles of cash in order to be prepared for the eventual downturn whose significant hurt I'm always trying to avoid, instead hoping to profit from it with my liquidity.

The best way to deal with uncertainty without hiding in a bunker is to save like a pessimist and invest like an optimist. - [Morgan Housel](#)

Optimism and pessimism always overshoot because the only way to know

the boundaries of either is to go a little bit past them. - [Morgan Housel](#)

I believe that the long-term trend is up and to the right but I'm not blind to the reality that shit happens in the short term...shit that nearly always seems unpredictable or unexpected although history tells us that these "unpredictable and unexpected" events are inevitably going to show up. So, although you might not be able to prepare for any specific event, you can try and make your financial position as anti-fragile as possible.

I know it sounds like an oxymoron but I'd describe myself as a paranoid optimist in the short term and an irrational optimist in the long term.

The game of wealth building is really rigged in favor of the optimist...I mean how many people have you read about that got rich (and stayed that way) betting against things improving over time?

You might say that my rose-colored glasses are equipped with 20-20 prescription lenses.

I truly save like a pessimist and invest like an optimist.

- Gen Y Finance Guy

p.s. check out this post about why it's not a good idea to bet against America in the long term: [Warren Buffett on Betting Against America - Don't Do It!](#)



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite

executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)