Financial Therapy Association

Journal of Financial Therapy

Volume 14
Issue 2 *The Essential Role of Self of The Financial Therapist in Financial Therapy*

Article 5

2023

# Book Review: Smart Money

Eric J. Dammann
*The William Alanson White Institute*



Recommended Citation
Dammann, E. J. (2023). Book Review: Smart Money. *Journal of Financial Therapy, 14* (2) 5.
https://doi.org/10.4148/1944-9771.1392

# Book Review

## Smart Money: A Psychologist's Guide to Overcoming Self-Defeating Patterns in Stock Market Investing

Eric J. Dammann, Ph.D.
*The William Alanson White Institute*

Teitelbaum, S. H. (2021). *Smart Money: A psychologist's guide to overcoming self-defeating patterns in stock market investing*. Conneaut, PA: Page Publishing, Inc.

Dr. Stanley Teitelbaum has written an interesting and readable book that is well researched and offers a plethora of usable information and good advice for the novice investor. While it may not serve the needs of those looking for a more in-depth exploration of the "how's" of investing, it does a good job of delivering on its main promise, which is to introduce the reader to some basic investing principles while helping identify self-sabotaging behaviors that interfere with the ability to invest well.

Many of us feel ignorant about investing, and we are all susceptible to powerful emotions regarding money. The book introduces the reader to some of the common emotions that emerge when investing (e.g., greed, fear, shame, pride, regret), and outlines ways to lessen their impact on our behavior. There is also an exploration of some of the main defense mechanisms (e.g., denial, avoidance, self-deception, rationalization) that can interfere with our ability to act rationally when these strong emotions are stirred. Furthermore, Dr. Teitelbaum normalizes the expected, and at times healthy, emotions such as fear and anxiety that can arise when investing, as well the need to accept things like our ignorance, luck, and other aspects of being that we typically either deny or minimize when it comes to investing.

I was also pleased to see an exploration of the transference that can emerge in the relationship with a financial advisor, and how, especially if we feel ignorant about investing, we can become susceptible to what he calls "guru chasing," which can lead us to remain in problematic relationships with financial advisors that are not serving us well. This transference can also inhibit our own rational decision-making and leave us in a dependent state rather than an empowered one. As he demonstrates with numerous examples throughout the book, one does not need to be a genius to be a good investor, and in fact, there is ample evidence that those who think they are "genius" investors often underperform the market. I think it is encouraging for the average person to realize that good investing has a

ISSN: 1945-7774

lot more to do with EQ (emotional intelligence) than IQ, as exemplified by the critical importance of patience, fortitude, emotional control, and self-discipline more so than market knowledge (and this is true for professional traders as well).

Aside from introducing the reader to the psychological side of investing, Dr. Teitelbaum explores some basic investing principles that can help us stay in control, such as the use of "loss limits" and a consistent focus on expenses. A few other highlights of the book include a good exploration of gender differences in investment performance and some of the psychological and biological reasons that might account for these differences. There are also many real-world case studies of supposedly smart and powerful people who were ruined by some of the psychological issues explored in the book and a helpful list of questions to keep in mind when evaluating a financial advisor. Finally, Dr. Teitelbaum is quite open about his own misadventures with investing, which helps to normalize the fact that most (if not all) of us have at least one or two money "quirks" that can have a negative impact on our financial lives. His willingness to open himself to scrutiny can help lessen the shame and insecurity that many novice investors feel when they start out.

Having addressed the positive, there were a few minor issues I had with the book. First, the material is laid out in a way that doesn't always make sense - for example, a chapter on loss aversion goes on to include things like defense mechanisms, which would seem to fit better in the chapter on investor psychology. I felt that the book did not flow as well as it might have if it had a clearer structure. Second, at times the book gets a bit redundant. While hammering the important concepts can be useful, it started to feel like more thorough editing was needed. For example, points such as the fact that two-thirds of mutual funds underperform their benchmarks; past performance does not indicate future performance; and the risk of selling winners too soon and losers too late were made in almost every chapter. Furthermore, on occasion, an exact quote was used more than once (e.g., Robert Frost's "nothing gold can stay", Santayana's quote about not learning from history), and there were some passages that were repeated almost verbatim (e.g., pgs. 24 and 25 on "listening to your inner Cassandra"). Finally, while in a book like this, it is impossible to cover everything, there were a few important concepts I would have liked to see included. As but one example, I find "anchoring" to be an important impediment to investing success for many people.

Despite these issues, however, I think the book provides a valuable introduction to the psychological side of investing and will empower novice investors with a few tools and things to look out for that could save them a lot of money and heartache in the long run. Certainly, there are other books that cover similar terrain (many of which are cited in the excellent and broad bibliography), but I think both financial advisors and financial therapists will find this a useful place to turn for those clients looking to understand their "investing selves" better.

ISSN: 1945-7774