

Preemptive Wealth Management

It's kind of funny that most curricula are focused on kids and young adults learning things before they need to know them.

They learn about and memorize facts and ideas that are completely unnecessary to solving actual problems they face. The idea is so that they'll be prepared and know things in case they ever become important or useful to know in the future. It's odd for several reasons, not least of which is that this kind of learning has almost no retention, but especially because most of the students won't end up ever facing most of the problems even if they did retain the knowledge. (I have used Pythagorean theorem once in my entire life, and even then I didn't remember its name or the specific formula, but had a vague idea that there was a way to find out one length of a triangle if I had the other two. Google did the rest.)

It should be taken as a given then that I am not pushing for "just in case" learning, or any kind of compulsory education period.

But if one were to agree with the standard approach of learning a bunch of things that might possibly be useful to some sliver of the class at some point in the future, you would think there might be a good bit of material on wealth management. After all, there are 12 million millionaires in the US - more than 3% of the population - which is probably higher than the percent of students who will ever need to know how to label a mitochondria. If you believe in preparatory learning, preparing to manage wealth would seem at least as logical as preparing to be a medical doctor. (There are roughly 900,000 doctors in the US, or less than 0.3% of the population).

We tend to think about wealth as only a benefit, not a problem to be dealt with. "Oh yeah, sure would be nice if my biggest challenge was learning how to manage a million bucks!" Maybe. But probably not as nice as we imagine.

What's the opportunity cost of paying off a mortgage vs putting the money to work in the market? How liquid do you need to be? Where to keep cash since banks are only insured or \$250,000 in deposits? How to deal with requests and demands from friends and family? How much to hedge against exogenous economic shocks? How to do so? How to not get taken advantage of by financial planners, lawyers, accountants, and managers of family offices and trusts? What's the best way to handle inheritances so you give your kids a leg up but don't cripple them and rob their ability to gain strength by solving their own problems?

Most people have trouble with financial management at the paycheck to paycheck level.

More money doesn't magically solve that. The problems just get bigger and the stakes higher.

While the idea of compulsory public schools teaching wealth management is not desirable, there might be something to the idea of individuals who desire to achieve wealth learning how to manage it a few steps ahead of time. If nothing else, the mindset alone is a form of subconscious confidence building. Investing in wealth management is a kind of bet on yourself that you will put it to use.