

The Ten Commandments of Money

These are the rules to follow to keep your financial prospects in order

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Ignore these pieces of investing wisdom and risk the wrath of the financial gods.

Over the many years of my work as a [financial planner](#), I've learned some important rules about money. They're so important, in fact, that I consider them commandments. Follow them to the letter and you will be a better steward of your money. Ignore them and, well, there will be hell to pay.

I. Thou shalt not forget that skillful salespeople can manipulate thy emotions.

When there are sales to be made, there are people out there who can play you like a fiddle. Plucking emotional strings can persuade potential customers that they not only want a product but desperately need it. Expert salespeople will stoke fear to sell security systems or [identity protection](#); they'll stroke your ego to sell you a car that's just out of your price range. Wait until your emotions have settled before signing anything.

II. Thou shalt not buy an investment before completely understanding it.

Simple and transparent products are almost always superior to more complex alternatives. So why do people get pitched so many complicated investments? My fervent belief: Those perplexing features are designed to obscure and excuse the seller's profits. So it's critical to understand what you're buying, what it costs and why it's right for you. Take this commandment a step further and never buy an investment you can't explain to an 8-year-old.

III. Thou shalt remember there is no such thing as a free lunch.

I mean that literally. The next time someone invites you to a meal so you can learn about a new way to protect or increase your wealth, politely decline. Whether an investment, a time-share or a multilevel marketing program is on the menu, that free lunch will cost you. In fact, the ritzier the restaurant, the worse the "opportunity" on the table, since expensive marketing can be justified only by selling products with juicy profits.

IV. Thou shalt put thyself in the seller's shoes before buying.

Prior to making a major purchase, you can protect yourself by reflecting on two key questions:

1. What's in it for the person selling you this product?
2. How does the company behind the product make money?

Is the \$99 printer really a deal or is someone counting on you to spend \$500 a year on ink cartridges? Why does that free 30-day trial subscription require a credit card number if the seller isn't counting on you to forget to cancel? Reverse roles and think about how someone is profiting from your purchase.

V. Thou shalt not ever believe thou art too smart to fall for bad investments.

When salesmanship is at play, intelligence can take a holiday. Sir Isaac Newton, for instance, lost a fortune investing in England's hottest stock — the South Sea Company. A towering intellect didn't shield him (or other geniuses throughout history) from making foolish choices with their money. And if the greatest minds can be fooled, what can the rest of us do? Embracing our own fallibility is a good start.

VI. Thou shalt not accept the stated word but instead always get it in writing.

I call this the "Trust but verify" commandment. During the course of a sales pitch, a seller might take some creative license with the facts. Is the deposit really completely refundable? Can you really cancel your subscription at any time?

The answers to these questions may be in some 25-page disclosure document; confirm that it matches what you're hearing. Even an emailed promise from a salesperson can give you a chance for recourse. So can a recording of a phone call (check that it's legal in your state to record a call without the other party's consent).

VII. Thou shalt not buy anything that is too good to be true.

Common wisdom dictates that if it looks too good to be true, it probably is. Our brains never get that memo, however, so you must always weigh the facts against your emotional response. I've been offered free cruises and free cellphones, for example. But the cruise booking fee was more than the retail cost of the cruise, of course, and the free phone would have locked me into a contract.

VIII. Thou shalt avoid limited-time offers (like the plague).

The ticking clock is a powerful sales tool. You're presented with an opportunity that is so amazing that everybody will want in on it. Demand is eclipsing supply, so you must act now or forever lose out.

If someone says you have to buy now, don't. We don't make our best decisions when rushed. Nobel laureate Daniel Kahneman describes how the human brain thinks by dividing the task into two systems. One relies upon instinct for fast action; the other draws on logic and moves more slowly. That "limited-time offer" dangled before you is designed to trigger your instincts before your logic can kick in.

IX. Thou shalt not depend upon a regulator for protection.

I've never seen firsthand a consumer reimbursed for losses by a financial regulator. I've even known financial regulators who suffered losses because even they didn't understand what they had been sold. I question whether consumer protection agencies in nonfinancial areas are any more effective. It's better to make the right decision in the first place than to count on a watchdog to bail you out.

X. Above all, thou shalt not forget that people wish to separate thee from thy money.

In the pursuit of cash, most people want as much of yours as they can get. While they usually go after it legally, sometimes they do so in a way that's questionable ethically. People regularly prey on our quirks to get us to open our wallets. Be inspired by that truth and act accordingly.