



ENDOWMENT

WEALTH MANAGEMENT®

The Lure of Envy

The color green is attributed to many positive things in life. Green is often used as a symbol of prosperity and even represents life itself. But not all green is good. Being green with envy is a characteristic we should avoid like the plague. As Charlie Munger put it, “There’s an old saying, ‘What good is envy? It’s the one sin you can’t have any fun at’. It’s 100% destructive.”¹

Envy is a feeling of resentment aroused by another’s circumstances, good fortune or outcomes. And it rears its ugly head frequently among participants in financial markets. It can creep up on any of us and can feel quite natural. But just because it may feel natural or an innate part of who we are, doesn’t mean it is advantageous.

In the past year there have been several securities and stories of quick wealth that may make us envious. Supersize gains, especially among people that don’t know what they are doing, can influence us to feel entitled to such gain. We may regret our “boring” investment strategy and envision how much quicker we can reach our goals by purchasing high flying securities. When we imagine significant gains, dopamine receptors are activated, which makes us feel good – as if whatever we do will be right.

Check Envy at the Door

Envy, when not checked, often leads to unhappiness and influences risky behavior as we seek what others have achieved, without respect to the role of luck in the initial outcome nor the probability that such luck will continue. We want it. We feel entitled to it. We are determined to get it.

The challenge is that there will always be someone, or some investment, that performs better than us. Hitting financial home runs and grand slams are exciting and activate many receptors in our brain. Building wealth through compounding is the financial singles and doubles – yawn inducing.

Envy is shroud in perpetual regret and disappointment. Sure, it may be exciting for a while. It may feel really good. But there is a cost to that feeling. Empirical evidence over decades shows that investors who chase what’s hot significantly underperform a more “boring” disciplined investment strategy.²

Feelings such as envy, which are natural, make investing difficult. It’s one reason why patience and discipline are the greatest virtues an investor can develop. It won’t be easy, but it is the best chance we have to achieve our financial goals.

1. Carlson, Ben. Don’t Fall For It: A Short History of Financial Scams. Page 69
2. JP Morgan. A Guide to the Markets. December 2020.