# The Illusion Factory

An excerpt from *Mindful Money: Simple Practices for Reaching Your Financial Goals and Increasing Your Happiness Dividend* by Jonathan K. DeYoe

This book offers practices and techniques that will teach you how to become truly wealthy by mindfully focusing your efforts on the only financial goal that really counts: happiness.

Money is not happiness. Money is a *tool* we can use to enhance the conditions that support happiness. Since sustaining a happy and fulfilling life in the twenty-first century requires a lot more cash than many folks have on hand, money often buys us more anxiety than satisfaction.

The good news is that growing our money doesn't have to be as complicated or stressful as we are led to believe. A few simple practices can help us achieve financial equilibrium far more effectively than the shiny new investment strategies, exchange-traded funds (ETFs), and mutual funds Wall Street rolls out every year. Once we accept that our own behavior is the single most important determinant of long-term success, we can coexist peacefully with the daily uncertainties of the stock market. By following what Buddhists call "the middle path," we will find our way to financial sanity and earn what I call our happiness dividend — the joy and satisfaction that come from a life well lived.

Maintaining this sane perspective can prove difficult because we are often wildly confused about money. Much of what we know about money we absorbed in childhood from parents and members of our extended social circle, who themselves may have been wildly confused about money. What we often learn from others is not financial wisdom, but emotions and attitudes. Fears and cravings. Unhealthy attachments.

Pema Chödrön, an acclaimed Buddhist scholar and teacher, uses the Tibetan word *shenpa* to describe the emotion-laden attachments that hook our attention and lead us to behave in unconscious and unproductive ways. For many of us, money is the ultimate shenpa, causing us to do some very stupid things. This shenpa makes us vulnerable to impulsive financial decisions and to terrible investment advice.

There's plenty of the latter around.

Warring "experts" are constantly bombarding us with fear-laced advice about how to manage our money. Who gets our ear? Who should we believe? Whose advice should we follow? Most of us have little basis for sorting the few precious grains of wheat from all the chaff.

When we lack money knowledge, shenpa runs the show. We end up gravitating to one extreme or another. Either we avoid money like a communicable disease or we become hyperfocused on getting more, which never seems to be enough. While ignoring money is a recipe for disaster, since it leaves our future to the whims of fate, focusing too much on money is a recipe for misery. It drives us to grind away at jobs we hate and micromanage our financial lives, leaping from one investment strategy to another at the slightest dip of the stock market.

Walking the middle path with money requires taming our emotional attachments and choosing to make mindful financial decisions. We must learn to keep quiet faith in those decisions and detach ourselves from the nonstop daily chatter on the airwaves. This middle path frees us from worrying about money every minute because we possess a financial view that stretches for years.

The two biggest demons we meet on the middle path are our own ignorance and fear. Mindfulness practices help us overcome our demons by teaching us to look at things as they really *are*, stripped of our mental and emotional illusions. Mindfulness teaches us to remain serene, present, and nonreactive in the face of our fear. These are the fundamental skills we need to develop to pursue a successful journey toward financial stability.

How can we develop a serene relationship with money in such a nonserene world? We must first get our heads straight about what money is and what it is *not* by untangling our ideas about money from our ideas about happiness. True happiness never comes from money. Happiness comes from intangibles like rich human relationships, a sense of purpose, and a feeling of optimism.

Nonetheless, money does support conditions and experiences that can enhance our happiness, such as taking a family trip, helping a friend in need, retiring in a place we love, or having the free time to finally write our novel. Money's sole purpose is to help us sustain who we are and what we truly value. It is a tool that can get us where we want to go, not an end goal in itself.

Once we understand that money is a tool, how do we get it to work for us? By putting in plenty of hard work of our own. This challenging task does not include an exhaustive search for the "best" money system or guru. Instead, we must turn our gaze inward and focus on our own behavior and thinking around money.

We hold far more power over our personal fortunes than we realize. We gain this power by following a few simple practices that increase both our happiness and our financial well-being. These practices have remained unchanged for generations. Follow them diligently, and we'll find ourselves well on the way to financial health. Take shortcuts, and all the clever financial tricks in the world won't get us back on track.

The practices aren't complicated. All the elements of mindful money management can be reduced to just four deliberate steps:

*Cast aside our illusions about what money can and can't do for us.*
*Become luminously conscious of what really makes us happy.*
*Make a simple money plan to support our vision of happiness.*
*Stick calmly and nonreactively to our plan.*

As Porky Pig says, "Th-th-th-that's all, folks!"

*Mindful Money* is divided into three sections that guide you through the first three steps: "Unmasking the Illusions," "Finding Your Happiness," and "Making a Plan." Every chapter offers simple Mindful Money Practices designed to transform your relationship with money. Ranging from reflective writing and daily mindfulness practices to nuts-and-bolts accounting, these practices will prepare you to complete the Financial Action Plan template in the appendix.

The third section, "Making a Plan," establishes the real connection between money and happiness by helping you launch your dreams into action. You'll learn timeless, uncomplicated steps for achieving financial stability and growing your money. These steps can be taken no matter what the economic weather may be and no matter how loudly the pundits are screaming.

My hope is that this book helps you develop resilience, healthy practices, and confidence around money. We all have a quiet, alert place within ourselves where we can ride out the panic, the doubt, and the shenpa-driven impulses that arise when it comes to money. If we just sit mindfully, we'll find that place.

I know because I did. When I started my career in financial services over twenty years ago, I was also pursuing a master's degree in Buddhist studies. One of the first challenges I grappled with was how to reconcile planning for my own financial future with the concept of living in the present moment. After years of sitting with this question, here is the beautiful answer I discovered: My financial plan does far more than pave the way for a happier future. My plan greatly adds to my optimism, self-esteem, and sense of purpose *in the here and now*. Planning for tomorrow brings hope and joy to the present moment, which is a true happiness dividend.

**The Illusion Factory**

*What's money? A man is a success if he gets up in the morning and goes to bed at night and in between does what he wants to do.* — Bob Dylan

We live in a world of illusion, and these illusions keep us from our happiness — especially around money.

Money drives our world. We organize our whole lives around it: earning it, worrying about it, spending it. Yet many of us are taught next to nothing about it. The whole point of Buddhism, and all forms of mindfulness, is to deal with *what is*, to look reality straight in the eye. To sit with it, breathe it in, hold its hand. To "wipe the dust from the mirror," as the Buddhist saying goes. When it comes to money, most of us rarely, if ever, deal openly with *what is.* We spend our entire lives chasing fantasies or running from our fears. Money is the eight-million-pound gorilla sitting in the middle of the town square. We bow to it, serve it, fear it, beg for its blessings, but we don't discuss it. We behave as if money is our god, and we avert our eyes in deference.

In elementary school, we learn a thing or two about *currency*. We're taught how to make change from a five and how to figure sales tax and tips. In middle school or high school, perhaps we take a home economics course that shows us how to balance a checkbook and manage an online bank account. Lesson complete. Whew.

We don't learn the simplest truths about money itself — such as its nature and how it grows. In fact, many people are actively discouraged from learning. We are taught that money is private. It's rude to bring it up. Casual questions from a child, like "How much did that cost?" and "How much do you earn?" are met with admonishments, as if the child had just asked, "Why are you so fat?"

Most adults treat money as a private topic, one they are uncomfortable discussing, and children learn that discomfort, not the reasons for it. They are left to piece together the "truth" for themselves. They shuffle past the giant gorilla every day and create their own mythology about it. These myths are based largely on emotion rather than knowledge.

It doesn't have to be that way. I was extremely fortunate as a child. My economics education started early. Conversation at my family's dinner table was different from that at my friends' tables. We talked about finances. We talked about taxes and investments. We talked openly about how much money my dad and mom made. It wasn't a lot! We talked about how much *this* pair of sneakers cost versus *that* pair of sneakers, and the relative merits of each. We understood limitations and trade-offs. My parents walked me through their tax returns when I was nine. I bought my first stock that year, too. I was exposed to the simple *what is* of money, not the fears and secrecy. It's no accident that today I find money fascinating and fun.

Many people are not so lucky. They absorb only illusions about money put forth by three main sources:

family members, culture and media, and Wall Street.

### *Family Illusions*

All of us grow up absorbing our parents' relationship with and feelings about money. Most of this learning is observational, not formal. Perhaps we learn, for example, to be afraid of talking about money because money makes people fight. Or that money causes anxiety. Or that earning a lot of money is a game we must try to win. We learn these beliefs before we know we're learning. That's what makes them so difficult to untangle later on.

When we *are* formally taught about money within our families, these lessons are usually colored by beliefs inherited from our grandparents or great-grandparents.

Many of these beliefs about money are rooted in simple pleasure and pain, in attraction and aversion. The Buddha observed that life is suffering. That is, life inevitably confronts us with pain and discomfort. When it does, we often react reflexively to try to remove the causes of pain and increase the sources of pleasure. Neither of these solutions are lasting, however, and so our efforts end up generating more pain in the long run. Out of this endless cycle, suffering is born.

Human beings are even more motivated to avoid pain than to pursue pleasure. This means most of the so-called truths we live by and pass on to *our* children are based on pain avoidance. Pain avoidance is a very primitive, reflexive way of living. It does not look at the big picture or the long term.

For example, when it comes to money, many people inherit a fear or distrust of "the stock market." Where does this fear come from?

It may come from the Great Depression. It may come from the late-1990s dot-com collapse. It may come from the Great Recession of 2008. Yes, the stock market is volatile and frequently experiences losses, occasionally huge losses. But as the Buddha also observed, the nature of life is impermanence, which is why another thing we can reliably say about the stock market is that over time it grows. The stock market bounced back from each of those historic crashes, and in fact, it has recovered from thirteen major dunks of 20 percent or more since the end of World War II. The market will continue to grow as long as there are people in the world who seek to improve their lives. *That's* the investable thesis, in my opinion. Everything else is just smoke and mirrors.

When we buy into illusions like "stocks are too risky," we may succeed in avoiding the heartache of short-term loss, but we will invest our money in a way that cannot possibly keep up with the rising cost of living. The real danger isn't losing money in the stock market. The real danger is outliving our money because we failed to grow it sufficiently to keep pace with inflation.

This is just one example of how harmful money illusions passed on to us in our families can create negative outcomes.

### *Cultural and Media-Driven Illusions*

Our culture's all-time favorite illusion is that consumption leads to happiness. This illusion has always had its devotees, but today's omnipresent media grinds the message into us so relentlessly that many of us never think to question it. We are conditioned, from cradle to grave, to consume.

I remember my son discovering catalogs when he was only six. One day he said, "Dad, let's sit down and read this together."

I said, “There are no good stories in there.”

“No, but I want to show you what I *want*,” he said.

So it begins.

A certain level of material comfort makes life pleasant and relieves anxiety, but once we’ve achieved that basic level, more stuff doesn’t make us happier. Nonetheless, one very healthy growth industry in America today is self-storage facilities. We own so much stuff we can’t fit it in our houses.

*Nicer* stuff doesn’t make us happier, either. Upgrading our car’s grille emblem to a pricier one gives us maybe a fifteen-minute buzz of pleasure. After that burst, our happiness resets to its default level. A thousand-dollar watch might be one or two seconds per year more accurate than a seventy-nine-dollar watch. How much value do those two seconds add to our life?

Even if we’re cynical about the claims of advertising, we can easily fall prey to the illusion that the popular media is a reliable source of truth and information. It isn’t. Sometimes the financial media genuinely tries to inform us, but it is *always* trying to capture our attention and keep it captive. It does so on behalf of its advertisers, who are always selling something. At the same time, the media is also always selling something else: itself. And besides sex, the most reliable way to get the public’s attention is fear. Most media stories about economic matters are intended to scare us — note the tense background music and flashing graphics to keep us clicking the mouse to learn more.

The one-hour Flash Crash of 2010 is a good example. On May 6, 2010, the stock market experienced a nearly thousand-point drop. One blue-chip stock, Procter & Gamble, went from sixty to forty dollars in thirty seconds. Why? A once-popular theory was that some trader with a “fat finger” accidentally pushed the wrong button, but this has been discredited. Instead, the reason for the mayhem is now considered to be a young guy deliberately manipulating market vulnerabilities out of a bedroom in his parent’s house in London. But when it happened, no one knew what was causing the drop, and the media picked up the story and ran with it. People panicked because the media covered it the same way it covers everything in finance: like it was the end of the world. The markets are in freefall right now? Panic! Y2K? Panic! Brexit? Panic! The Federal Reserve may hike interest rates? Panic!

Bad news = good copy, but the media’s pursuit of ratings gains can unfortunately drive short-term market movements. Anyone with a teaspoon of common sense knows that *nothing* can make an established company like Procter & Gamble lose a third of its value in half a minute. There was obviously a mistake. The stock market *had* to bounce back, and in this case, it recovered almost entirely by the end of that same day. But that’s not the tack the media took. Dire tones were employed. Average people who owned pretty much any blue-chip stock wanted out after hearing the latest, breaking news. Those who actually *did* get out regretted it an hour later.

The market responds to our faith in its resilience. Fear undermines that faith, so by selling fear the media retards recovery. As for me, I take the simple route. I reject daily freneticism. I trust that even big issues will resolve themselves in good time. I choose to believe that the market will improve. I don’t know how or when it will happen, but when I’m doing long-term income planning, that’s all I need to know. Thus far in history, panicking out of the market has never worked. Not once.

The media doesn’t only sell fear. It also sells excitement and trendiness. That is how stocks can skyrocket to crazy-high levels virtually overnight. As Warren Buffett famously said at a recent shareholders meeting, "The market is a psychotic drunk." The media, it seems, is its drinking buddy.

I came into the financial management business almost twenty years ago, and I can't remember a single time when the media's hyperbolic approach has helped the everyday investor.

Fear shuts down our higher thought processes and puts the primitive "lizard brain" in charge. The lizard brain is all about survival and attacking immediate threats. It does not possess long-term perspective or use thoughtful analysis.

When the media sells us fear, we don't have to buy it.

### *Wall Street Illusions*

When we do buy in, Wall Street proceeds to take that fear and run with it to the bank by selling us investment products designed to salve our fears. Even when the economic news is bullishly enthusiastic, fear still does the selling: the fear of missing out on a hot market trend. Wall Street spins out newfangled mutual funds and complicated exchange-traded funds every year, not because these edgy new investment products are truly beneficial, but because it knows we're too afraid not to buy them.

In 2000, at the peak of the market, there were more growth-oriented mutual funds than ever in history. In 2009, after the big market meltdown, we saw the rise of so-called tactical allocation funds. These funds helped allay the fears of investors who were afraid of going down with the stock market ship if it tanked again. Interestingly enough, these new funds have underperformed more traditionally managed funds since they began proliferating. That doesn't mean they're bad products, but they were sold at a time when people were predisposed to buy them because marketers pandered to their fears.

The same thing happens when the market is hot. People are encouraged to buy out of emotion. This is how bubbles are created. In 1999, Wall Street urged people to flock to dot-com stocks. Then the bubble burst. Over the last few years, fixed-income products have become the rage. A few years ago, it was real estate. Another time it was oil.

Wall Street plays us something like this: The market falls. The client is afraid. Wall Street sells the client products that won't fall anymore. But they won't go up, either. Then the market goes up. The client, whose products won't go up, is upset about missing out. So Wall Street offers products that *will* go up, but the client doesn't buy those products until *after* the market has already gone up. By that time, the market goes down again, the client becomes afraid, and the cycle continues until the client is broke. Wall Street gets paid on every transaction, so its incentive is to keep the client buying something and to keep the money moving. The public suffers on both ends, and as an added bonus, they pay Wall Street to create the next product to sell. Loss for the average investor is turned into opportunity for Wall Street.

The point is not whether any particular financial product is good or bad. It's that the client doesn't usually know what he or she wants or needs. Wall Street is aware of this and relies on *emotion* to entice clients into choosing products. Wall Street knows that people are hard-wired to run away from pain and run toward pleasure. On that basis, new products are focus-grouped to determine, "Will this sell today?" rather than, "Is this good for our investors' long-term portfolios?"

All the tailored suits, the sophisticated financial jargon, and the oil paintings of hunting dogs conspire to create the illusion that staid and responsible money managers are *taking care of* their clients. But in many cases people are being *taken advantage of*.

Of course, Wall Street professionals aren't inherently evil. Many are sincere and well-meaning. Few intend to cheat customers, but when a client walks in the door looking for "safety" or "higher returns," they will sell the client what he or she wants without necessarily knowing what that person needs. They are salespeople in the business of selling financial products, just like car manufacturers or restaurateurs sell their products. People, in turn, have to be wise and thoughtful shoppers. We need to develop a simple financial plan and stick to it, rather than gobbling up every new product that Wall Street creates to satisfy shifting public appetites.

To understand money's true role, we need to empty our cups of all the nonsense and misinformation we've been fed in our lives. Before we can approach money sanely and mindfully, we must break free from the illusions that have hypnotized us since childhood.

**Mindful Money Practice**

Each chapter in this book ends with a Mindful Money Practice. Many of these are writing exercises that ask you to put pen to paper and express your thoughts, desires, feelings, and goals in writing. Although we live in a digital age, I highly encourage setting aside your laptop or iPad and taking an old-school, hands-on approach to the writing exercises. Plucking ephemeral ideas from your head and making them concrete on the page is a powerful first step toward turning your intentions into action. Only you need to be able to read these exercises, so don't worry if your penmanship is appalling.

The first part of this exercise is the easiest of the lot: Choose something to write on and something to write with. Be creative or practical. Use a spiral notebook, three-ring binder, hardbound journal, or yellow pad for documenting each Mindful Money Practice in the book, and choose a writing implement that sings to you. I myself am a sucker for fountain pens, but a no. 2 pencil is more than adequate. Every time you open this book, have your pen and notebook within reach, so that you are ready for the exercises and can jot down any thoughts for future contemplation.

The second part of the exercise is harder: use the first page of your notebook to tell your family's financial story.

*What facts and fictions were you taught about money growing up?*
*What good and bad habits did you learn?*
*What feelings and fears did you absorb?*
*What successes and failures did you witness?*
*What childhood financial lessons and illusions have you carried into your adulthood?*

This story doesn't need to be long, but it should describe the financial truths you live by today.

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