Why Smart People Make Big Money Mistakes and How to Correct Them
Gary Belsky and Thomas Gilovich (1999)

Why Read It?

- Examines the most common mistakes we make when spending, investing, or saving money.
- Uses behavioral economics to explain these mistakes and problems, using everyday examples and scenarios.
- Provides the reader with an alternative view of financial problems, and offers practical solutions and advice, with exercises in each chapter.

Getting Started

*Why Smart People Make Big Money Mistakes and How to Correct Them* explores how we spend, save or invest money, to expose the common mistakes made and how they can be avoided. Using anecdotal information, the reader is invited to assess themselves and their own actions, and offered advice and practical solutions about how to change bad habits.

Authors

**Gary Belsky** is a journalist for various magazines and has contributed to programs on CNN and ABC. He received the Gerald Loeb Award for Distinguished Business and Financial Journalism in 1990.

**Thomas Gilovich** is a Professor of Psychology at Cornell University and lectures internationally on everyday reasoning and decision-making and on the fallibility of human judgement. He has been published in various journals and magazines.

Context

- Offers practical advice for correcting money mistakes and gives the reader the information required to then decide how to act.
- A self-help book for the ordinary investor, it focuses on everyday money matters such as credit card use and consumer buying patterns.
- Requires no prior knowledge of financial matters, but is intended to benefit those who find dealing with money difficult.
- Uses an easy-to-understand psychological approach to understand and explain a range of different financial situations.
- Written as a personal view using the work of recognised psychologists as support material.

Impact

- Introduces the work of other economists and psychologists, such as Amos Tversky and Daniel Kahneman, to a wider, non-specialist audience.
- Focuses more on human behavior than the specifics of money management, and helps get the balance right in how we control our finances.
- Provides practical advice for consumers, rather than theory for academics.
Quotations

"By examining how economics came to be linked with psychology…you’ll be much better prepared to grasp how behavioral economics can help improve your finances."

"…there’s one realm where behavioral economics has yet to achieve prominence and it may be the most important; in the minds of typical consumers, borrowers, savers, spenders and investors."

"Don’t expect miracles or overnight transformations. Expect instead to learn some things about yourself, some things about the ways in which you make decisions in general and about money in particular."

More Info
Book:

• Pompian, Michael M. Behavioral Finance and Wealth Management: How to Build Optimal Portfolios that Account for Investor Biases. Hoboken, NJ: Wiley, 2006. Explains how to use behavioral finance for investing, outlines the 20 most common biases, and shows how they can be overcome.

See Also
Finance Library

• Advances in Behavioral Finance

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