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"Son, if you really want something in this life, you have to work for it. Now quiet! They're about to announce the lottery numbers."

– Homer Simpson

Monthly Musing

Within months, lottery winners are about as happy as they were before they won.¹ Yeah right, and this 250 ton aluminum tube I'm seated in will soon be flying 500 mph at 30,000 feet. Both seem incredulous, both are true.

Things Financial

Stable happiness levels for lottery winners is not really surprising. Research into happiness has revealed it's correlated to knowing and passionately following our purpose and incorporating our primary character traits into our daily lives with frequency and duration.²

Perhaps more unexpectedly, most lottery winners end up losing all their winnings.³ Here too we probably shouldn't raise a brow. As we noted last month about *"Soft Structures"*:

"To be capable of aiding in the preservation of the family wealth, (lottery winners) need to understand basic finance and economics. This requires confidence and emotional stability... the ability to integrate and participate with all family members."

We don't think of playing the lottery as gambling because unlike casino gambling or investing the risk capital of a few dollars is insignificant (This is because the odds of

winning are nearly zero). As with most gambling though, basic money management tools of risk assessment / management (e.g. risk/reward analysis, position sizing, and loss limit) are not possible, employed or thus learned.

So we see that unless a person already possesses money management skills even if she improbably, instantly became a fortune-winner she would likely soon be a fortune-loser.

Those who enjoy an occasional trip to the casino understand very well the need to manage their wager, behavior and emotions less it become unenjoyable. In time, on average they lose because the casino's total winnings paid must be less than the sum paid to gamble but it is treated as an entertainment expense.

The takeaway then is that though gambling and investing have similarities they are significantly different in practice. As importantly, unlike gambling, the trials and tribulations of investing provide the opportunity to build the skills needed for money mastery.

As always, we thank you for the opportunity to participate in your journey to money mastery.

Sincerely,

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1 <http://www.forbes.com/sites/susanadams/2012/11/28/why-winning-powerball-wont-make-you-happy/#207741cb6e3a> 2 "Authentic Happiness", Seligman, M. 3 <http://www.fool.com/how-to-invest/personal-finance/2014/10/08/3-simple-ways-to-lose-all-of-your-money.aspx>