One-sentence financial rules

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There are 56,956 personal finance books on Amazon.com. In aggregate, they contain more than 3 billion words. This seems absurd, because 99% of personal finance can be summarized in nine words: Work a lot, spend a little, invest the difference. Master that, and the other 2.999 billion words are filler.

The most important finance topics don't require details. Most can be, and should be, summarized in a sentence or two.

Here are some I've learned.

1. Dollar-cost average for your entire life and you'll beat almost everyone who doesn't.

2. Only invest in products and companies you can explain to a six-year old.

3. Every five to seven years, people forget that recessions occur every five to seven years.

4. You're twice as biased as you think you are (four times if you disagree with that statement).

5. Read more books and fewer articles.

6. Read more history and fewer forecasts.

7. It's strange that you go to the doctor once a year, but check your investments once a day.

8. Be careful when reading about how stupid investors can be and not realize you're reading about yourself.

9. Your circle of competence is probably 90% smaller than you think it is.

10. You're only diversified when some of your investments perform worse than others.

11. Big risks will always be disregarded; small risks always blown out of proportion.

12. Check your brokerage account as infrequently as it takes to prevent rash decisions.

13. When in doubt, choose the investment with the lowest fee.

14. Emotional intelligence is more important than book intelligence.

15. The more you learn about the economy, the more you realize you have no idea what's going on.

16. Start saving for college before your kid is born, and start saving for your retirement before you graduate college. You'll feel silly when you start and like a genius when you finish.

17. The most powerful way to grow your money is learning to live with less, since you have complete control over it.

18. Singer Rihanna nearly went broke and fired her financial advisor, who described her situation well: "Was it really necessary to tell her that if you spend money on things, you will end up with the things and not the money?"

19. You have no obligation to have an opinion about anything.

20. You have a strict obligation to not have an opinion about things you don't understand.

education for a fraction of the price.

22. You shouldn't feel strongly about any investment you haven't spent at least a week thinking about.

23. Holding 60% of your assets in stocks and 40% in bonds isn't perfect for everyone; but I can think of a thousand worse strategies.

24. Respect the role luck has played on some of your role models.

25. Don't take out $100,000 in student loans for anything other than medical school (if that).

26. Change your mind as often as the facts change.

27. Ignore people who refuse to change theirs when the facts change.

28. Read last year's market predictions and you'll never again take this year's predictions seriously.

29. Warren Buffett's folksy talk misleads people into thinking that what he's accomplished is easy. It's not.

30. Sleep on every investment decision for a week, then run it by a trusted friend before acting.

31. Two things you can do to make yourself a better investor are increase the amount of time you're investing for and the humility you put into your ideas.

32. Just as you should dress appropriately for your age, you should spend appropriately for your income, and not a penny more.

33. Warren Buffett has the best explanation of dumb risk-taking: "To make money they didn't have and didn't need, they risked what they did have and did need. And that's foolish. It is just plain foolish."

34. You can probably afford not to be a great investor -- you probably can't afford to be a bad one.

35. You're twice as gullible as you think you are.

36. Learn more from your bad investments than your good ones.

37. Judge investors by the quality of their arguments, not the performance of their last trade.

38. You can realistically afford probably half the home the mortgage broker approves you for.

39. Teach your kids about money before they're old enough to earn their own.

40. Admit when you are wrong.

41. Imagine how much stuff you'd have to make up if you were forced to talk 24/7. Remember this when watching financial news on TV.

42. There is, and always will be, more money to be made providing investment advice than receiving it.

43. Assume the worst, hope for the best, accept reality.

44. Save for your own retirement; assume Social Security and private pensions won't be around (even though they probably will).

45. Annuities: A product mixing the complexity of high finance with the sales tactics of used-car salesman has an entirely predictable outcome.

46. The correlation between confidence and future regret is incredibly high.

47. During the last 100 years, there have been more 10% market pullbacks than Christmases. Everyone knows Christmas will come; think of volatility the same way.

48. Don't attempt to keep up with the Joneses without realizing the Joneses aren't any happier than you are.

51. Don't let Washington sway your investment decisions. Congress has been a dysfunctional swamp of disappointment since 1789, and stocks have done well ever since.

52. To quote Larry Summers: "A good rule of thumb for many things in life holds that things take longer to happen than you think they will, and then happen faster than you thought they could."

53. Another Larry Summers gem: "THERE ARE IDIOTS. Look around."

54. "Invest in what you know" is dangerously simplified.

55. Quit day trading, and donate your money to charity instead. Same financial result for you, and a better outcome for society.

56. Most people's biggest expense is interest, which comes from living beyond your means, and buying things they think will impress others, which comes from insecurity. Avoid these two and you'll grow richer than most of your peers.

57. Reaching for yield to increase your income is often like sticking your hands in a fire to warm them up -- good in theory, disastrous in practice.

58. Your devotion to a political party or economic philosophy is directly proportional to your tendency to think irrationally about how politics affects your investments.

59. Most people need a financial advisor, but everyone needs a financial counselor, or someone to talk them off the ledge before making a dumb decision.

60. There's a strong negative correlation between flaunting money and being rich.

61. Investors were probably better informed 20 years ago when there was 90% less financial news.

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