**Lessons in Personal Finance from Aesop’s Fables**

The ancient Greek storyteller Aesop was the author of many fables that explain the faults and failings of mankind. His teaching is timeless and continues to be relevant, perhaps no more so than in the context of how we manage our financial affairs.

*The Goose that Lays the Golden Eggs*

Our need for instant gratification is the primary motivator of excessive consumption and our ill discipline, which could potentially derail the most carefully constructed plan. In the words of Robert Burns, “The best laid plans o’ mice an’ men, gang aft agley”.

Rather than kill the proverbial goose and find that there is no residual store of eggs, we need to match our consumption habits to what can prudently be withdrawn without excessively eroding our capital base.

*Tortoise and Hare*

The story of the race between tortoise and hare is well known. The overconfident hare ran ahead, made many happy jumps and fell asleep in the warm sun. The tortoise kept plodding along and crossed the finish line first.

The moral of the story is that “slow but steady wins the race”. Investing over a lifetime is not a sprint, but a marathon. Doing the basics well and staying the journey are the methodical and deliberate means of attaining our goals.

Talent alone is not sufficient. It should be accompanied by sound discipline and continued focus on our longer term objectives.

A further parallel from the story is that the hare believed there was an abundance of time and so he left things too late. How often are we reminded about the importance of starting early to harness the full power of compounded returns or that time in the market is far more important than trying to time the market?

*Ants and the Grasshopper*

The need to be proactive is further illustrated by the fable of the ants and the grasshopper. While the ants are working hard all summer to prepare for the long, harsh winter, the grasshopper sings and dances. Predictably he nearly dies of starvation and he has to be saved by the ants.

The metaphorical ants won’t necessarily be there to save us. Sink your well before you’re thirsty. Collect firewood before winter comes and don’t procrastinate and put off until tomorrow what you can do today.

Avoid incurring debt and create contingency funds. Our retirement planning starts at the beginning of our working life, not towards the end.

*The Jackdaw’s Feathers*

Living beyond our means during our working life is the primary reason why so many of us fail to retire financially independent. In order to set aside sufficient funds in a savings program, we need to limit unnecessary monthly expenditure by differentiating between our wants and our actual needs. The alternative paradigm is to save first and then determine how much is left for current consumption, rather than spend indiscriminately and then allocate the residue, if any, to savings.

We alluded in a previous newsletter to the concept of wealth and affluence. True wealth is having more than you need, by living within your means. Affluence is living the high life without regard to the financial consequences of keeping up with the Joneses.

The futility of an affluent lifestyle is cleverly illustrated by Aesop in the tale of the jackdaw, who fastened peacock feathers to his nondescript plumage. Quite simply, to aspire to be what one is not cannot be sustainable for very long. Once the charade is over, the financial consequences are generally catastrophic.

*The Lord Helps Those Who Help Themselves*

Aesop tells the fable of the carter whose wheels sank into a rut. He cried out to Hercules for help. “Put your shoulders to the wheels my man” is the response. “Goad on your bullocks and never pray for help until you have done your best to help yourself….”

Taking charge of our financial affairs requires initiative. If we don’t have sufficient willpower to take the bull by the horns, then in all likelihood nobody else will do this on our behalf.

*Towards Cultivating Good Financial Habits*

Eating healthy food, exercising regularly or adopting a disciplined savings culture are all the product of self-discipline. In the words of the familiar song “the road is long, with many a winding turn….” and distractions abound.

A proper routine is the foundation of habit, which in turn is a prerequisite for self-discipline. How difficult it is to maintain healthy eating habits when entertaining guests, holidaying or living in hotels rather than staying at home? How much easier is it to exercise in a group or with a personal trainer and a proper schedule?

Charles Dhuigg, the author of The Power of Habit, tells the story of Tony Dungy, arguably the NFL’s greatest coach, who famously remarked that the key to winning is to change players’ habits. “Champions don’t do extraordinary things”, he said. “They do ordinary things, but they do them without thinking, too fast for the other team to react”.

Dhuigg also tells the story of Bob Bowman, the coach of legendary Olympic swimmer Michael Phelps. The key to his coaching regimen was to target specific habits that had nothing to do with swimming and everything to do with making Phelps the most mentally tough person in the pool.

Financial discipline is the cornerstone of a sound investment strategy. According to Warren Buffet, it is predicated on a sound intellectual framework; which we would refer to as a financial plan; and the absence of emotional corrosion, or distraction from that plan.

At PKF Wealth, we believe that sound money habits that can make the difference between a life of prosperity and one of constant financial stress.