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THE SECRET LANGUAGE OF MONEY

HOW TO MAKE SMARTER FINANCIAL DECISIONS AND LIVE A RICHER LIFE

DAVID KRUEGER, M.D.

with JOHN DAVID MANN

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INTRODUCTION

A well-known therapist once observed, "Money questions will be treated by cultured people in the same manner as sexual matters, with the same inconsistency, prudishness and hypocrisy." The year was 1913. The therapist was Sigmund Freud, early explorer of the secretive, unspoken side of the human psyche.[1]

Today, nearly a century since Freud wrote those words, most of us have come to speak far more openly about sex, yet we remain embarrassed and conflicted when it comes to talking about our money. If you doubt this, ask the hosts of your next dinner party what their annual income is. You probably won't be on the guest list for their next event. Ask how much debt they have, and you may not see dessert. That's the nature of our relationship with money: silent, forbidden—and unexamined. It may be true (as Freud himself is alleged to have said) that sometimes a cigar is just a cigar—but even Freud might have agreed that a *$500 cigar* is something else altogether.

Our relationship with money is strange, to say the least. It certainly goes well beyond the simple numbers it takes to tally up what we earn and what we owe. If money were about math, none of us would be carrying any debt. The numbers are simple. What's complex is what we do with money: *we give it meaning*. We breathe life into money and give it emotional value. We make it bigger than it is. We use money to do things money isn't designed to do, and that's where things get complicated.

Money is a magnifier. Like adversity, it reveals and exaggerates character. For a problem drinker, money creates more drunkenness. For the habitually insecure, money can make them paranoid. In the hands of the caring and generous, it engenders philanthropy. But it doesn't simply magnify who we are: it also amplifies who we hope to be, fear we might have become, or regret that we may never be. It gives form to our fantasies and shape to our compulsions. We don't simply earn, save and spend money: we woo it, flirt with it, crave it and scorn it, punish and reward ourselves with it.

We invest money with a totemic power it doesn't truly possess and then live our lives under the thumb of that dictatorial rule. Like the master of a runaway band of mad marionettes, money runs us in circles and beckons us down dead-end paths, inflates our dreams and dashes our hopes—and all the while it is we ourselves who hold the strings that make the puppets move!

It is not money but the *love* of money that Saint Paul identified as the root of evil. It is not wealth and possessions or even the chase after these that creates problems in our lives: it is when we lose ourselves in the chase. And when do we lose ourselves? When we imbue money with meaning it doesn't really have, and then keep that meaning a secret even from ourselves—thus holding ourselves hostage to our own *money story* without even realizing we were the ones who made it up it in the first place.

For three decades—two as a psychoanalyst, one as an executive coach—much of my work has been focused on exploring the hidden side of money and helping people successfully change their money stories. Whether top CEOs and the ultra-rich or the average middle-class family, the clients I've helped over the years have all shared one thing in common: their problems with money are not about the money. They're about the story they try to tell with it.

What follows is a journey to understand the architecture of *your* money story: how you use money to shape the world around you, and how it shapes you back.

One thing we'll discover is that the brain and mind are not always in agreement. While one part of us says, "We should be planning for retirement," another says, "Hey, let's have that second cognac and order the plasma TV!" Each part struggles over the same dollar, and unless we understand the secret language of money, the results can be disastrous. In these pages we'll explore both the brain and the mind, looking through the lens of leading-edge scientific research from such fields as psychology, neuroscience and behavioral economics, along with case studies from my thirty years in the trenches of psychoanalysis and executive coaching. We will apply these insights to help you strategically rewire your brain, reprogram your mind and reshape your habits, so that you can begin using money to say what you want it to say, and create the life you want to be living.

The Secret Language of Money is not really about your income, expenses, assets and investments, although it will change how you view and manage all of these. It is about your *relationship* with money and how it affects everything in your life, including your financial success. It is an unblinking examination of the running dialogue inside your head about money—about how much you think you're worth, and how much you feel you deserve; about what you believe your money says about you, and how much of it is enough. This book is a rare glimpse into the secret conversation you hold with yourself about the meaning of money in your life—and therefore, about your life itself.

Money does talk—but what is it really saying? Or more accurately, what are you saying through money? This book is about finding the answer to that question.

Note

1. "On Beginning the Treatment (Further Recommendations in the Technique of Psycho-Analysis: I)," in The *Collected Papers of Sigmund Freud*, 2:351; 1913.

Part I

Your Money Story

one

MONEY TALKS—BUT WHAT IS IT SAYING?

If there's something strange in the neighborhood,
Who ya gonna call? ***Ghostbusters!***
If there's something weird and it don't look good,
Who ya gonna call? ***Ghostbusters!***

—Theme song to ***Ghostbusters***,
music and lyrics by Ray Parker, Jr.

Something strange was going on, all right. When Alex Popov set off for San Francisco's PacBell Park that morning, softball glove in hand, it had seemed like a good plan. It just didn't turn out that way.

Two nights before, the San Francisco Giants had played well past midnight in the longest nine-inning game in Major League history, only to lose to the L.A. Dodgers. Today, on Sunday, October 7, 2001, in their last game of the season, the Giants came back with a 2-to-1 victory. But that wasn't what made history that day. No, the epic moment came in the first inning, when Barry Bonds hit a knuckleball from the Dodgers' Dennis Spring and sent it clear over the fence into the arcade, setting a new all-time record by swatting his seventy-third home run in a single season.

When Bonds hit his homer into the stands, the fans went wild—and in this instance, that is not a figure of speech.

Anticipating the smash hit and knowing that Bonds tended to favor right field, especially enterprising fans had packed that standing-room-only area hoping for a serious shot at the record-breaking ball. And exactly two fans—Popov, owner of a Berkeley health-food restaurant, and a software engineer named Patrick Hayashi—got their wish. As the ball hit Popov's glove, he was instantly tackled, thrown to the ground and buried in a swarm of determined fans. In the ensuing mayhem, Hayashi came up, ball in hand. Eyewitness testimony (later disputed) would claim that Hayashi bit a teenage boy and even grabbed Popov's crotch in an attempt to get control of the ball. A cameraman's videotape of the entire fracas proved inconclusive.

The court battle between Popov and Hayashi raged for months—the two as fierce as litigants in any custody case—until 20 months later, in June, 2003, a judge decreed that the ball be auctioned off and the two fans split the proceeds. The ball was eventually purchased at auction for $450,000 by Todd MacFarlane, creator of the *Spawn* comic book series, netting Popov and Hayashi each a cool $225,000—which didn't even come close to covering court costs. In fact, Popov would have needed to net more than twice that amount just to cover his legal expenses. To make matters worse, the two men owed taxes on the entire auction income of $450,000.

After nearly two years of legal brawling, Popov and Hayashi were both heavily in debt, and MacFarlane had his slightly used baseball for the bargain price of $450,000.

And here the story goes from odd to odder still.

That single-season record Bonds broke had previously been set by Mark McGwire, who hit his seventieth single-season home run in 1998. That winning baseball had also been purchased by MacFarlane for $3.2 *million*—which represented "most of his life savings," as he told newsmen.[1] In a previous deal, costing him about $300,000, MacFarlane had also purchased the first, sixty-seventh, sixty-eighth, and sixty-ninth home run baseballs of McGwire's 1998 season.

Each ball had cost about $5 to manufacture.

What happened here? Something strange indeed; something that defies normal logic. And while Popov, Hayashi, and MacFarlane's story may seem a little extreme, it's really not so different from the stories of people we know well.

A single mom of 38, Barbara is in a tough spot. Recently divorced, with custody of her two teenage children, she is approaching middle age and struggling to make ends meet. Her fixed salary and meager child-support payments are barely adequate to support her family's basic needs. Money is tight, at best, and Barbara's financial prospects look grim.

Barbara has a strategy for dealing with her subsistence lifestyle, which, if not the most logical course of action, has the dubious advantage of simplicity: *She shops.*

Despite her precarious finances, Barbara goes on frequent spending sprees. On one day's forage alone, she brought home a $250 silk blouse, a $175 silver ring, and a pair of $825 silver earrings. With every day that passes, with each shopping spree, Barbara is inching herself and her family ever closer to the precipice of utter financial meltdown. And the closer to the edge she gets, the more she shops and spends.

Robert's story begins on the opposite end of the money spectrum from Barbara's: Where she started in a tight spot, Robert set out from a place of affluence.

It was only 12 years ago that Robert found himself an unusually wealthy man. When his father died, Robert inherited $20 million, enough to ensure his financial security for a lifetime. Yet by the time I met him, Robert had managed to spend nearly every penny.

Distant and emotionally isolated, Robert's father had lavished him with money and expensive gifts all his life. Robert recognized his father's financial magnanimity as an expression of guilt, a poor proxy that scarcely compensated for his absence in his son's life. Robert now sustained his anger at his father, as he described it, "by pissing away my father's money, gambling and making bad investments." The bad investments piled one upon the other. Robert's poker losses became larger and more frequent; he lost several thousand dollars in a single session.

Having attained complete financial independence, Robert now seemed determined to spend his way to bankruptcy.

Something strange in the neighborhood.
Something weird, and it don't look good.

Money, Money Everywhere

Over the first five decades following the close of World War II, something remarkable happened: We grew steadily richer. A *lot* richer. During the second half of the twentieth century, more wealth was created in the United States alone than had ever before existed on the planet. By the new millennium, even America's poor had reached a standard of living higher than the middle class of the 1950s. Our homes were larger, our cars more luxurious than ever, and necessities such as food and water were cheap, abundant, and close at hand. Any measurement of life using the wealth yardstick during those times told us exactly what we love to hear: *Life is good and getting better.*

Yet underneath the glitter, something was amiss.

Our perennial competitors, the Joneses, may have looked good on the outside, but the numbers revealed a different story. Despite our growing levels of apparent affluence, savings rates had dropped to an all-time low, and debt had climbed to an all-time high. By 2001, Americans owed more than $1.7 *trillion* in consumer debt—almost three times the value of all the U.S. dollars in circulation—and bankruptcies began to skyrocket.

By 2008, the onrush of affluence seemed to have slammed into full reverse. Corporate scandal, bad debt, collapsing housing markets, and shifting international demographics had launched the first genuinely global financial crisis in history. The ride, at least for the moment, was over.

And what a strange ride it's been. After winning what might best be described as an economic jackpot, we seemed to be shedding our gains as quickly as we'd gotten them. Stranger still, we've somehow managed to spend our personal happiness along the way: Our internal lives have become as troubled as the state of our finances. After peaking in 1957, the number of Americans who rank themselves as "very happy" has steadily declined. A diagnosis of depression today is 10 times more common than it was a half century ago. Our physical health, our sense of connection to others, our time spent engaged in our communities—factors which might arguably be seen as indicators of a truly rich life—are on the same precipitous downward trend.

It's puzzling. The more money we have, the more financial trouble we seem to find. Our standard of living is better, yet our *lives* seem worse. For all its apparent importance, more money seems to deliver only more problems, as we increasingly act in ways that make no rational sense. We spend beyond our means. We agonize, argue, litigate, and divorce over money. We fall victim to scams and cons, sometimes repeatedly. We gamble to the point of destruction. We sink deeper and deeper into a morass of money-related misery that threatens our health, our families, and our survival.

Why do we do these things? Clearly the *quantity* of money is not what we lack. In fact, the opposite seems to be true: The more of it we have, the worse things seem to get. But if that's true, is there then no solution? Is the pursuit of both wealth and happiness a doomed quest?

Fortunately, the answer is "no." There is a path through the money minefield, and it's one we can walk with joy and satisfaction. There is a way to pursue increasing our wealth *without* decreasing our success; to build financial value, eliminate debt, and relieve crushing fiscal strain without sacrificing those things that are most important to us, such as our health and happiness, our families and friends, communities and careers—in other words, without sacrificing our *lives*.

Finding that path starts with a simple question: What *is* money?

The Rest of the Iceberg

On the surface, money is something quite simple, a tangible thing we can readily measure. It's a carefully manufactured piece of paper or shiny coin, a set of digits on a computer screen, a printed number on a paycheck. At its most basic, money is a *thing*, and in these days of abundant information, we understand money the *thing* fairly well. We can invest it and calculate interest, and we can spend it and make sure we have correct change. We have banks and software developers, investment companies and financial advisors, radio stations, television shows, and money gurus galore. There are entire industries dedicated to ensuring our full understanding of money the *thing*.

Yet despite all this knowledge, we still struggle with money. We can't seem to get it right: We spend when we should save, buy when we should sell. We trade away our time, and sometimes our health and relationships as well, in the pursuit of money in the hopes that it will eventually buy back some of the very time we traded away.

No matter how much we know about money, we still do some very strange things with it. Picture this scenario:

> You are at an auction, surrounded by a sophisticated-looking group of perhaps six dozen. The auctioneer holds up a $100 bill and carefully explains the scenario about to unfold: "Bids will move in five dollar increments. The highest bidder wins the bill. The second highest bidder pays his or her bid, but gets nothing in return. And this is real money, people."
>
> Within seconds, the bids pass $100, and soon they are up to $300. Two participants get into a bidding war. When it's over the victor earns the right to pay $465 for the $100 bill, and the runner-up pays the auctioneer his high bid of $460 and receives nothing in return.
>
> You are thunderstruck. How could reasonable, intelligent people pay over four times more for something than it's worth?

You might conclude that these people must be suckers with little or no experience in the real world of money. But in this you would be quite mistaken.

This is not an imaginary scene: The auction actually took place at Harvard's John F. Kennedy School of Government. The auctioneer was Professor Max Bazerman; the participants were a group of investment specialists and economic gurus. Some of the brightest financial minds around won \$100 bills by paying three and four times their worth.

And not just once. This experiment was repeated *over 600 times*. Commented Professor Bazerman, "I've never seen the bidding stop below \$100 in any of the over six hundred times I've done it."

If money is so simple, why is it so complicated? Because when we look at money, we're seeing the *thing*. But money the thing isn't the whole story. The whole story is an iceberg-sized tale, and the part we pay attention to—the cash or debt in hand—is only the tiniest tip visible above the water's surface. The rest of the story lies invisibly submerged beneath the surface of appearances and events. Just because we don't see it doesn't mean it isn't there, or that it can't sink our lives when we run up against it, just as surely as the Titanic. Just ask Barbara and Robert.

That vast, hidden side of money's story has nothing to do with money the *thing*. It has to do instead with what we *tell* ourselves about money, and for many of us, it's a whopper.

A successful business owner once described her money conundrum to me like this:

> "It's a way I use to soothe myself. I'll go into my study and think about how much power I've created for myself. I can do anything I want. I think about my successful, demanding business that's become my life, and calm myself by saying, "I can get out of here. I can leave." Now, the only thing I can enjoy is getting away on vacations. But even then, I can't

relax. Chasing money has taken over. I make all this money so I won't ever again feel helpless or controlled by someone else.

"Once I put money into investments, I don't do anything. I neglect it. Money equals power. I want to have the power, but then I avoid the money so it doesn't have control over me.

"I don't even know how much money I have."

This woman was so far removed from money the *thing* that she literally could not even count it. Her full-time occupation was to use money to generate meaning, to create an emotional state.

We say, "Money talks," but what does it say? The remarkable truth is: *It says whatever you tell it to.* The wonder of money is that it can represent anything. It's a stand-in for what we idolize and desire yet fear and lack, for what we covet, crave, spurn, chase, or follow. We use money to show how much we care, or how little. We use it to measure success and buy happiness—or try to. We use it to bolster our self-esteem. We use money to *communicate*.

The challenge is that much of this given meaning is hidden. We may have a perfectly logical reason (or so it seems to us) to want or even *need* this particular new car, but beneath the surface, an invisible, inaudible, richly nuanced dialogue is weaving a broad tapestry of meaning as to what getting that car (or *not* getting it) says about us.

Money *does* talk. It whispers in our ear, often just below the level of our conscious awareness. Money speaks to us as confidante, seducer, adversary, protector, or drug. Money serves as a tangible container for such subjective matters as hope, ambition, love, and disappointment. Money whispers of caring, of success, of power, of *happiness*. Money can become a currency of caring, a symbol of success, a measure of power, a promissory note for happiness, or a filler for a sagging sense of self.

The trick is that the secret language of money is just that: a secret, hidden and often inscrutable. And because we don't speak the secret language of money—the mental, psychological, emotional language that weaves our outward lives—we do very strange things where money is concerned. We make money mistakes, driving ourselves into debt, despair, and depression. We overspend, under-save, and deceive ourselves. We covet what we don't really want, and don't want what we truly need.

Why do we make these tragic errors? We make money mistakes because we use money to accomplish nonfinancial goals. We seek to use money the *thing* to do what no "thing" can: regulate our moods, increase our self-esteem, and control others. We use money to try to soothe emotional pains and buy the respect of others and ourselves. In doing so, we take money the thing and turn it into something more. We give money *meaning*. We breathe life into it, give it emotional value, build a relationship with it, and make it bigger than it is.

And then something strange happens.

The moment we begin to make money more than the simple, tangible thing it is, more than the coins and papers and paychecks we grasp so well, *we stop understanding it*. Our clean equation of 100 cents to a dollar begins to spawn new variables that we cannot readily define. Ironically, when we give money meaning, we begin to lose our grip on what it really *means*.

This is what lay at the heart of the financial crisis that ignited in 2008 with the collapse of the subprime mortgage business and spread around the globe: We lost track of what on earth we were doing with money. Millions of people took out mortgages they couldn't repay for houses they couldn't afford, egged on by a financial industry that convinced itself that its smoke and mirrors was as good as gold.

While speaking before Congress Alan Greenspan, former Chairman of the Federal Reserve, said he was "shocked" his ideas led to the current economic crisis and said, "I still do not understand exactly how it happened."

Well, let me see if I can give it a shot:

Banks bundled mortgages that had been given to people who wouldn't even qualify for jury duty and then sold those along with "credit default

> swaps," which are basically insurance the seller provides to the buyer in case the purchased entity loses value. However, unlike regular insurance, these swaps weren't regulated, so they failed to meet any standard of responsible business; then, when everything collapsed, it spread like an infection, because when people are making money, they don't ask "how" they just say, "Yay!"
>
> But again, you're the expert.
>
> —Seth Myers, on *Saturday Night Live*, October 25, 2008

What the financial crisis teaches us, more than anything, is that when it comes to money, how we *think* we are behaving and how we actually *are* behaving can be two very different things indeed—and that money can speak in a code so covert, even the experts often seem at just as much a loss as we are to understand its message.

A Money Quiz

To get the most value out of the following quiz, respond to each of these two questions with a single number—and do this *before* reading the explanations that follow.

1. My *current* annual income is $____________.
2. In order to insure happiness and contentment financially, with no more money problems and worries, my annual income would need to be $____________.

I have given this quiz to hundreds of people over the years, and in more than nine out of ten cases, people's answers indicate that their annual income would need to be about *twice its current level* for them to feel happy and free from money worries.

This means that someone who makes $50,000 a year believes it would take roughly $100,000 a year in order to be financially content, and someone who makes $500,000—five times the first person's magic number—believes that the figure would need to be about a million a year.

And that's not all. In discussions with people after they take this little poll, I often find that those who have actually seen their income double over time have, at the same time, doubled their "happy and content" amount. In other words, once those who earn $50,000 achieve their hoped-for $100,000 goal, they then raise the bar and claim that it would now take about $200,000 to be happy.

What this suggests is that the actual numbers (that is, the money itself) have nothing whatsoever to do with it, because even when you change the numbers the story remains the same. In this case, the story is, "I need twice as much as I have to be happy." Double or triple the numbers, and the story still stands. And this is only one example of the most common story threads; there are dozens of others, just as irrational, and just as hypnotically compelling.

"Although there are many self-help books on how to become rich, the fields of psychology and financial planning have been slow to link money and emotion," reported *The New York Times* in a story on money disorders. "And money is still a great cultural taboo that is rarely discussed openly in this country, experts say. . . . The financial storm thundering from Wall Street is likely to force many people to examine their relationships with money well beyond their portfolios and bank accounts, some psychologists say. Even before this month's dire news, an online survey by the American Psychological Association in June [2008] found that 75 percent of the more than 2,500 adults said money was the No. 1 source of stress in their lives."[2]

Money talks, all right, now in shouts and now in whispers. It coaxes and promises, inspires and motivates, threatens and persuades. Yet unless we train ourselves to understand this secret language of money, we hear and understand only a fraction of what it has to say. And so we do the oddest things with our money, and are shocked and dismayed at the results. Intelligent people spend money they don't have. Sophisticated people get scammed. Rational people trade in their leisure time for money—in hopes of eventually buying back some of the very time they just forfeited. We use money to try to buy love, happiness, power, prestige, approval, or self-worth, and often find ourselves ending up in the opposite state from the one we sought.

It sometimes seems as if some other force is directing our actions. We know we shouldn't panic and sell our stock, or buy the watch we can't afford, yet we do just that. We speak out loud, "I can't afford a new television," then find ourselves seated in front of it later the same day. It's as if someone *else* bought the television, and left us staring at the bill thinking, "You know, maybe I *should* call ghostbusters!"

But there are no ghosts involved. Who decides what mysterious things money is saying? You do. It's just that what you think you've said it means is often not the same thing as what you've actually decided it is saying. If that sounds complicated, it is—because money is something that we tend to complicate. The reason the language of money is secret for most of us is that we keep it a secret *from ourselves*.

Not all of us are wealthy heirs like Robert, struggling single parents like Barbara, or baseball fanatics like Popov, Hayashi, and MacFarlane. Still, we all share one thing in common: Each of us has developed our own unique way of understanding what money *means* and the story it keeps telling.

Fortunately, we can learn to decipher that secret money story, and when we do, it allows us to achieve greater wealth and experience more happiness and fulfillment from the wealth we have. In this book, we're going to find out what your money story is, and if that's not the story you want to be living, then we'll find out how you can write a new one.

Notes

1. *The Washington Post*, Tuesday, Feb. 9, 1999.
2. "How to Treat a 'Money Disorder'," by Sarah Kershaw, *The New York Times*, September 25, 2008.