Quiet Compounding

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by Morgan Housel

"Nature is not in a hurry, yet everything is accomplished," said Chinese philosopher Lao Tzu.

Giant sequoias, advanced organisms, towering mountains – it builds the most jaw-dropping features of the universe. And it does so silently, where growth is almost never visible right now but staggering over long periods of time.

It's quiet compounding, and it's a wonder to see.

I like the idea of quietly compounding your money. Just like in nature, it's where you'll find the most impressive results.

Every few years you hear a story of a country bumpkin with no education and a low-wage job who managed to save and compound tens of millions of dollars. The story is always the same: They just quietly saved and invested for decades. They never bragged, never flaunted, never compared themselves to others or worried that they trailed their benchmark last quarter.

They just quiety compounded.

Their entire financial universe was contained to the walls of their home, which allowed them to play their own game and be guided by nothing other than their own goals. That was their superpower. It was actually their only financial skill, but it's the most powerful one of all.

Imagine if, after your first date with a partner, you had to make every phone call, every text, every conversation with that person public on social media. Or even just with a small group of friends and family. You know what would happen: People would tell you you're doing this wrong, you're doing that too much, you should say more of this and less of that, on and on. You'd be so embarrassed, nervous, and influenced by other people's goals and different personalities that *you wouldn't be you*. None of the relationships would work.

Money is similar. People become so nervous about what other people think of their lifestyle and investing decisions that they end up doing two things: Performing for others, and copying a strategy that might work for someone else but isn't right for you.

I try to keep in mind that there are two ways to use money. One is as a tool to live a better life. The other is as a yardstick of success to measure yourself against other people. The first is quiet and personal, the second is loud and performative. It's so obvious which leads to a happier life.

Quiet compounding means four things to me:

1. An emphasis on internal vs. external benchmarks.

Always asking, "Would I be happy with this result if no one other than me and my family could see it, and I didn't compare the result to the appearance of other people's success?"

It's impossible to win the social-comparison game because there's always someone getting richer faster than you. Once you stop playing the game your attention instantly shifts internally, to what makes you and your family happy and fulfilled. It makes it so much easier to enjoy your money, regardless of how you choose to spend and invest it.

2. An acceptance of how different people are, and a realization that what works for me might not work for you and vice versa.

Christopher Morley said, "There is only one success – to be able to spend your life in your own way."

A lot of financial mistakes come from trying to copy people who are different from you.

So be careful who you seek advice from, be careful who you admire, and even be careful who you socialize with. When you do things quietly you're less susceptible to people with different goals and personalities than you telling you you're doing it wrong.

3. A focus on independence over social dunking.

Once you do things quietly you become selfish in the best way – using money to improve your life more than you try to influence other people's perception of your life. I'd rather wake up and be able to do anything I want, with whom I want, for as long as I want, than I would try to impress you with a nice car.

4. A focus on long-term endurance over short-term comparison.

A lot of people want to be long-term investors but struggle to actually do it. One reason is they get caught up in comparison – comparison to peers, benchmarks, and wondering what other people will think of you if they find out you lost money in the last six months.

Long-term investing is about being able to absorb manageable damage; if you can't do that, you're pushed into the much harder trick of attempting to avoid short-term volatility. You're only durable when you care more about surviving volatility than you do looking dumb for getting hit by it in the first place.

Instead of trying to look smarter than everyone else, you make a quiet bet that things will slowly get better over time.

You're not in a hurry, yet everything is accomplished.

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