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The magic of enough: author Brian Portnoy on wealth

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NEW YORK (Reuters) – If you are like many investors, you obsess over stock fundamentals like earnings, debt or sales growth. Here is a much better investment tip: Look in the mirror.

So says author Brian Portnoy, Director of Investment Education at Virtus Investment Partners, in his new book "The Geometry of Wealth: How to shape a life of money and meaning."

Portnoy's point is that while investment selection is important, a much bigger factor in your future success is keeping yourself from making the wrong money choices at the wrong time.

Portnoy spoke with Reuters about how understanding our own irrational money impulses can set the table for a life that is healthier, happier and wealthier.

Q: One of your main points is that being wealthy does not equal being rich?

A: "Rich" is just a quest for getting more and more, while "wealthy" means being able to afford a meaningful life. So I describe true wealth as "funded contentment," aligning your money life to your deeper sources of happiness. And that is different for each person.

Q: Why did you choose shapes as your key metaphor for describing money journeys?

A: Simplicity is extremely important for people, and pictures are easier to follow than words. So I came up with a simplified three-step path to true wealth that involves three shapes: A circle, a square and a triangle. These represent thinking about purpose, setting priorities and making good decisions.

Q: You pose the question "Is a meaningful life affordable?" – so what is your answer to that?

A: The answer is yes, and more so than people think. But you have to focus on experiences over material things, on expressing gratitude and being generous, and truly appreciating the value of time. People usually just think about money, but time is a fantastic source of flexibility and leverage in terms of getting the things you want out of life.

Q: Why do you say that people's self-awareness is more important to investment results than their understanding of the markets?

A: Most people start with figuring out the right place to invest – and that is important, but it is actually the end of the process. First, you have to understand your own behavior. For instance, most people tend to buy high and sell low. They find it hard to focus on the long-term and dislike diversified portfolios. So behavior matters much more than people realize, and portfolio construction pales in comparison to simply controlling your own negative behaviors.

Q: What is some actionable advice you want people to implement?

A: I would say have a plan, which comes before any actual investments. And second, you need to have the two pillars of diversification and risk management. In other words, be diversified across broad ranges of the markets – stocks, bonds, cash – in a way that is aligned with your risk tolerance. Don't just go chasing the hot parts of the market to create excess returns, because that is extremely hard to do. Target-date funds are a constructive way to ensure diversification, and auto-enrollment programs are key to enforcing self-discipline for retirement savers.

Q: What do you want readers to come away with?

A: People need to really think about what it means to have enough. We all have a natural push to be better, smarter, faster. We treat money like a scorecard, and every day we fight for more. But if you can align your money with your purpose, you might find that "enough" is a pretty pleasant place to be.

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