

Principles by Ray Dalio

Life Principles

1. Embrace Reality and Deal with it

"Each problem is a puzzle and if I solve it I get a gem (principle) that helps me avoid the same type of problem in the future."

1.1 Be a hyperrealist

a. Dreams + Reality + Determination = A successful Life

Understand the cause-effect relationships that govern reality!

Savor life vs Make an Impact // Why not both?

1.2 Truth/Accurate understanding of reality is the essential foundation for any good outcome

Deal with the bad stuff since the good stuff will take care of itself.

1.3 Be radically open-minded and radically transparent.

a. Radical open-mindedness and radical transparency are invaluable for rapid learning and effective change.

b. Don't let fears of what others think of you stand in your way.!

c. Embracing radical truth and radical transparency will bring more meaningful work and more meaningful relationships.

!Takes around 18 months!

1.4 Look to nature to learn how reality works

When trying to understand anything there are two perspectives on how to approach:

1. Top down - One code/law that drives them all. Supply and demand affect all economies and markets. Focusing on how DNA works for all species.

2. Bottom up - Codes or law the particular to the market for wheat or the DNA sequences that make ducks different from other species.

- Need to have both.

a. Don't get hung up on your views of how things "should" be because you will miss out on learning how they really are.

- Why is nature like that? Not what it should be.

b. To be "good" something must operate consistently with the

laws of reality and contribute to the evolution of the whole; That is what is most rewarded.

c. Evolution is the single greatest force in the universe! Only thing permanent and drives everything.

d. Evolve or die!

- The key is to fail, learn, and improve quickly!

1.5 Evolving is life's greatest accomplishment and its greatest reward.

a. The individual's incentives must be aligned with the group's goals.

Look at sex and natural selection - great pleasure as incentive, but contributes to the advancement of DNA.

b. Reality is optimising for the whole - not for you!

c. Adaptation through rapid trial and error is invaluable.

Three kinds of learning:

- memory-based,
- subconscious learning,
- "Learning" happens without thinking

d. You are simultaneously everything and nothing - and decide what you want to be.

e. What will you be will depend on the perspective you have.

1.6 Understand nature's practical lessons.

a. Maximise your evolution

b. No pain no gain!

c. It is a fundamental law of nature that in order to gain strength one has to push one's limits, which is painful.

1.7 Pain + reflection = progress

!Pain button app!

a. Go to the pain rather than avoid it.

b. embrace tough love

Deny what you "want" because you need the struggle to get the strength to develop on your own.

1.8 Weigh Second- and third-order consequences.

- First-order consequences of exercise: pain and time spent - commonly undesirable, second-order (better health and more attractiveness/appearance) are desirable.
- First-order consequences are the temptations that cost us what we really want or barriers standing in our way.

1.9 Own your outcomes

- Take responsibility of your life NO MATTER WHAT.
- Internal locus of control.
- "Don't worry about whether you like your situation or not. Life doesn't give a damn about what you like."

1.10 Look at the machine from the higher level

a. Think of yourself as a machine operating within a machine and know that you have the ability to alter your machines to produce better outcomes.

b. By comparing your outcomes with your goals, you can determine how to modify your machine. !Same as evolutionary process!!

c. Distinguish between you as the designer of your machine and you as a worker with your machine.

More important to be a good designer/manager of your life than a good worker in it!

d. The biggest mistake most people make is to not see themselves and others objectively, which leads them to bump into their own and others' weaknesses again and again.

e. Successful people are those who can go above themselves to see things objectively and manage those things to shape change.

When encountering weaknesses you have four choices:

* You can deny them (most do).

* You can accept them and work at them in order to try to convert them into strengths (might or might not work on ability to change).

* You can accept your weaknesses and find ways around them.

* You can change what you are going after.

f. Asking others who are strong in areas where you are weak to help you is a great skill that you should develop no matter what, as it will help you develop guardrails that will prevent you from doing what you shouldn't be doing.

e. Because it is difficult to see oneself objectively, you need to rely on the input of others and the whole body of evidence.

h.If your are open-minded enough and determined, you can get virtually anything you want.

Most people lack the courage to confront their own weaknesses and make the hard choices that this process requires.

comes down to five decisions:

1. Don't confuse what you wish were true with what is really true.

2. Don't worry about looking good - worry instead about achieving your goals.!

3. Don't overweight first-order consequences relative to second- and third-order ones.

4. Don't let pain stand in the way of progress.

5. Don't blame bad outcomes on anyone but yourself.

VERY IMPORTANT!!

2 Use the 5-step process to get what you want out of life.

1. Have clear goals.

2. Identify and don't tolerate the problems that stand in the way of your achieving those goals.

3. Accurately diagnose the problems to get at their root causes.

4. Design plans that will get you around them.

5. Do what's necessary to push these designs through to results.

Together these make a loop.

- Pick what you're going after - **GOALS**
- As you move toward them, you will encounter - **PROBLEMS**
- Calm and analytical to - **DIAGNOSE**
- You have to - **DESIGN** - a solution
- **DO** - what's needed to get the result

2.1 Have Clear goals.

a. Prioritise: While you can have virtually anything you want, you can't have everything you want.

A lot of people fail at this point. - Afraid to reject a good alternative they pursue too many goals at once, achieving few or none of them.

You can have much more than what you need to be happy.

Make your choice and get on with it.

b. Don't confuse goals with desires.

Typically desires are first order consequences!

If you want to be a couch potato, fine by me. You can pursue whatever goals you want. But if you don't want to be a couch potato, then you better not open that bag of chips.

c. Decide what you really want in life by reconciling your goals and

your desires.

What will ultimately fulfil you are thing that feel right at both levels, as both desires *and* goals.

d. Don't mistake the trappings of success for success itself.

e. Never rule out a goal because you think it's unattainable. **Be audacious.**

f. Remember that great expectations create great capabilities.

g. Almost nothing can stop you from succeeding if you have:

a) Flexibility

b) Self-accountability.

Flexibility allows you to accept what reality/smart people teaches you. **Self-accountability is essential because if you really believe that failing to achieve a goal is your personal failure, you will see your failing to achieve it as indicative that you haven't been creative or flexible or determined enough to do what it takes.**

h. Knowing how to deal well with your setbacks is as important as knowing how to move forward.

Mission is to always make the best possible choices, knowing that I will be rewarded if I do.

2.2 Identify and don't tolerate problems.

a. View painful problems as potential improvements that are screaming at you.

Each and every problem is an opportunity, it is essential you bring them to the surface.

b. Don't avoid confronting problems because they are rooted in harsh realities that are unpleasant to look at.

Acknowledging you weaknesses is not the same as surrendering to them! Get over it

c. Be specific in identifying your problems!

d. Don't mistake a cause of a problem with the real problem.

"I can't get enough sleep" is not a problem. It is a potential cause.
"I am performing poorly in my job." IS.

e. Distinguish big problems from small ones.
Prioritise!

f. Once you identify a problem, don't tolerate it.

2.3 Diagnose problems to get at their root causes.

a. Focus on the "what is" before deciding "what to do about it"
Don't rush!

b. Distinguish proximate causes from root causes.

"I missed the train because I didn't check the train schedule" is proximate vs "I didn't check the train schedule because I am forgetful"

c. Recognise that knowing what someone (including you) is like will tell you what you can expect from them.

Get over the reluctance of assessing people! (and yourself)

2.4 Design a plan.

a. Go back before you go forward.

Replay the story that made you get up to this point. Visualise where to go for goals.

b. Think about your problem as a set of outcomes produced by a machine.

Practice higher-level thinking and look how it can be changed to produce better outcomes.

c. Many paths to achieving your goals.

Only need to find one that works!

d. Think of your plans being like a movie script in that you visualise who will do what through time.

Sketch out a the plan broadly first and then refine it. Big picture --> specific tasks and timeline.

e. Write down your plan for everyone to see and to measure your progress against.

f. Recognise that it doesn't take a lot of time to design a good plan.

Designing precedes doing!!

2.5 Push through to completion

a. Great Planners who don't execute their plans go nowhere.

b. Good work habits are vastly underrated.

People who push through have to-do lists that are reasonably prioritised, and they make certain each item is ticked off in order.

c. Establish clear metrics to make certain that you are following your plan!

(Ideally, might be someone other than you measuring and reporting on your progress).

2.6 Remember that weaknesses don't matter if you find solutions!

a. Look at the pattern of your mistakes and identify at which step in the 5-step process you typically fail.

b. One big thing that stands in the way of their success; find your and deal with it.

Two paths to success:

1) Have what you need yourself OR

2) Get it from others.

Second one requires humility.

2.7 Understand your own and others' mental maps and humility.

Need to have both: Humility and have answers inside yourself.

Where would you place me? **Ask friends.!**

3 Be Radically Open-minded

3.1 Recognise your two barriers.

Two biggest barriers to good decision making are: **EGO** and **Blind spots**. They make it hard to see what is true about you and the situation.

a. Understand your ego barrier.

referring to subliminal defense mechanism that make it hard for you to accept your mistakes and weaknesses.

Underlying needs and fears -- need for love, fear of losing love, need to survive, need to be important. -- All handled subconsciously by amygdala.

It doesn't understand that constructive criticism is good for you but sees it as an attack!

Crave praise and make you defensive.

Higher-level consciousness resides in the neo-cortex in the prefrontal cortex. "Logic and reasoning" place.

b. Your two "yous" fight to control you!

Higher level you is not aware of the lower-level you.

lower-level you is like an attack dog - they want to fight, when talking with others as well.

You must not let your need to be right be more important than your need to find out what's true.

c. Understand your blind spot barrier.

Areas where your thinking prevents you from seeing things accurately.

E.g. some people see naturally the big picture and miss small details while others naturally see details and miss big pictures.

People can't appreciate what they can't see.

People don't like to see ourselves or others as having blind spots.

TODO: What are my blind spots noticeable by others?

When two people reach opposite conclusions, someone must be wrong. Shouldn't you want to make sure that someone isn't you?

3.2 Practice radical open-mindedness

- If you know that you are blind you can figure out a way to see.
- Radical open-mindedness is motivated by the genuine worry that you might not be seeing your choices optimally.
- It requires to replace attachment to always being right with the joy of learning what's true. - thus releasing you from lower-level control.

To be radically open-minded you must:

a. Sincerely believe that you might not know the best possible path and recognise that your ability to deal well with "not knowing" is more important than whatever it is you do know.

b. Recognise that decision making is a two-step process: First

take in all relevant information, then decide.

c. Don't worry about looking good; worry about achieving your goal.

People typically try to prove that they have the answer even when they don't.

d. Realise that you can't put out without taking in.

You have to learn to convey your thinking and be productive.

e. Recognise that to gain the perspective that comes from seeing things through another's eyes, you must suspend judgement for a time - only by empathizing can you properly evaluate another point of view.

- **Open-mindedness doesn't mean going along with what you don't believe in; it means considering the reasoning of others instead of stubbornly and illogically holding on to your own point of view!**

- Important difference!

f. Remember that you're looking for the best answer, not simply the best answer that you can come up with yourself.

- The answer doesn't have to be in your head; you can look outside yourself.
- Probability of you always having the best answer is small.
- **Ask yourself: Am I seeing this just through my own eyes?**

g. Be clear on whether you are arguing or seeking to understand, and think about which is most appropriate based on your and others' believability.

- Believability - people who have repeatedly and successfully accomplished the thing in question - who have strong track record with at least 3 successes - and have great explanations of their approach when probed.
- Make it clear you're asking questions because you are seeking to understand their perspective.
- Conversely, if you are clearly the more believable person, you might politely remind the other of that and suggest that they ask you questions.

3.3 Appreciate the art of thoughtful disagreement.

