

The Warren Buffett Pyramid



Why do 70% of people who become rich suddenly become poor again?

One of the main causes is rooted in a lack of financial education.

Many individuals who experience an abrupt influx of capital often lack essential knowledge about how to manage their resources.

The absence of skills in areas such as investments, budget planning and debt management can result in careless and thoughtless financial choices.

In addition, the scenario of unbridled spending is another aspect worth highlighting.

The feeling of momentary wealth often instigates a compulsion for extravagant spending.

Luxury cars, opulent homes and other status symbols take center stage. However, this unbridled spending can soon eat away at accumulated financial reserves.

The lack of a solid financial plan is also a crucial element.



Those who don't set long-term goals or contemplate maintaining their lifestyle after the windfall are prone to dissipating their finances quickly.

The absence of a clear direction can leave a vacuum in which newly acquired wealth disappears without a tangible purpose.

In addition, the search for immediate returns can introduce a dangerous dose of risk.

Many are attracted to high-risk investments, eager to multiply their fortune.

However, such a bold approach can result in substantial losses, triggering a downward spiral that culminates in bankruptcy.

Another psychological facet to consider is the weight of other people's expectations.

Those who earn a considerable sum can find themselves under the gun of other people's expectations.

This burden can lead to decisions based on external impressions, resulting in purchases and spending designed to impress rather than align with personal goals.

Ultimately, the cycle of dizzying gains followed by a sharp financial fall often stems from a lack of balance in financial management.

An understanding of finances, careful planning, restraint in spending and the adoption of prudent investment strategies emerge as the anchors that can prevent this challenging trajectory.



Why is Warren Buffett's Triangle so important?



The "Warren Buffett Triangle" is a conceptual model that reflects the investment principles of the famous investor Warren Buffett.

It consists of three interconnected parts: "Constant Learning", "Invest Wisely" and "Manage Risk".

These elements are fundamental to guiding financial and investment decisions in an informed and disciplined manner.

Continuously learning about finance, investing in areas you understand well and maintaining financial discipline are essential pillars for pursuing financial prosperity.

How to use it in practice

1

Stage

Constantly learning

A) Set clear objectives:

Identify your financial goals, such as saving for retirement, buying a house or paying off debts. Having clear goals will keep you focused.

B) Set up a Financial Library:

Start by reading fundamental books on personal finance and investments.

Some recommended titles include "Rich Dad, Poor Dad" by Robert Kiyosaki and "The Intelligent Investor" by Benjamin Graham.

C) Explore Online Resources:

Take advantage of online courses and learning platforms such as Khan Academy, Coursera and Udemy, which offer free and paid courses on finance and investments.

Never do it: Invest in a highly complex sector, such as mineral exploration, without understanding the technical details and dynamics of the market.

The right thing to do: Take the time to learn about different sectors, with the necessary knowledge you can make more informed decisions.

2

Stage

Invest Wisely

A) Financial self-assessment:

Assess your level of investment knowledge. List sectors or companies that you understand well and feel free to analyze.

B) Company Research::

Select a few companies that you believe to be solid and promising. Analyze their financial reports, performance history and market position.

C) Development of a Diversified Portfolio:

Spread your investments across different sectors, such as technology, health, finance, etc. Also consider investing in different types of assets, such as shares and bonds.

Never do it: You hear a rumor about a company that is supposed to have explosive growth in the coming months and you invest all your savings in it without doing any research.

The right thing to do: After researching several companies in different sectors, you identify a promising company with a solid track record and promising innovations.

You invest a portion of your funds in this company, diversifying the rest into other areas.

3

Stage

Managing risk

A) Create a Detailed Budget:

List all your income and expenditure. Identify areas where you can save and direct surplus funds towards savings and investments.

B) Establish an Emergency Fund:

Set aside an amount equivalent to three to six months' expenses to deal with emergencies without affecting your investments.

C) Maintain Emotional Discipline:

Avoid making financial decisions based on emotions. Don't get carried away by sensationalist news and stick to your long-term investment strategy.

D) Regular review:

Periodically review your investment portfolio. Adjust your allocations as necessary to ensure that they are in line with your objectives and market conditions.

E) Retirement Planning and Insurance:

Explore retirement account and life insurance options. Consult a financial professional to determine the best strategies to protect your financial future.

Never do it: You buy a luxury car using a high-interest loan, ignoring the fact that this will affect your ability to save and invest in the long term.

The right thing to do: If necessary, decide to buy a more affordable car that fits into your budget, allowing you to continue saving and investing without accumulating excessive debt.