

## 1. Seek Wealth, Not Money or Status

- Wealth is assets that earn while you sleep; e.g.
  - Software earning commission per transaction,
  - Mutual funds value growing up,
  - House rent, etc.
- Wealth buys your freedom.
- Money is how we transfer wealth.
- Money is not going to solve all of your problems; but it's going to solve all of your *money* problems.

## 1. Seek Wealth, Not Money or Status

- Status is your rank in the social hierarchy
- Those who are not able to make money, play game of virtue, called *status*
- Wealth is not a zero-sum game.
  - Everybody can have a house.
  - My having house does not mean that you can not.
  - But in stocks, if i earn someone else has lost it.
- Status is a zero-sum game
  - When someone is number one then the other has to be number two or lower.
  - To be the winner, there must be a loser. That's status.
- People creating wealth will always be attacked by people playing status games

## 2. Make Abundance for the World

- Wealth is not finite. Else, we all would be in caves, dividing fire wood.
- Most wealth in civilization has been created.
  - Got created from somewhere.
  - Got created from people.
  - Got created from technology.
  - Got created from productivity.
  - Got created from hard work.
- Everyone can be rich

## 2. Make Abundance for the World

- Wealth isn't about taking something from somebody else
- Ethical wealth creation makes abundance for the world
- Money historically treated as evil,
- Because you find people getting rich by taking work from poor.
- Exploitation: By a sword, or a gun, or taxes, or crony capitalism, or Communism.
- Like Parasites living off a tree.

## 2. Make Abundance for the World

- Now everyone is richer than anyone alive 200 years ago.
- We all have vehicles, medicines, food, etc. They didn't.
- "Today, I would rather be a poor person in a First World country, than be a rich person in Louis the XIV's France"
- In 20 years, most would be automated.
- Basics would be taken care.
- A Massive abundance.
- We would do only creative pursuits.

## 3. Free Markets Are Intrinsic to Humans

- Capitalism [meaning: free markets] is intrinsic to the humans.
- We cooperate.
- Can keep track of debits and credits of work contributions and payments accordingly.
- That's "Free Market Capitalism".
- We cant do all.
- So we cooperate and get what we don't make/do.
- We all have opportunity to produce/offer to others
- If too many takers and not enough makers → ruin
- Ideal society: free minds, and free markets. Small-scale exchange between humans that's voluntary,

## 4. Making Money Isn't About Luck

- Luck should not be factor of your success.
- Four types of Luck:
  - Blind Luck: Like fortune, fate, comes without any control.
  - From Hustling ("fortune favors he brave"): Through persistence, hard work, hustle. Trying lots of things so that you get something.
  - From Preparation ("chance favors prepared mind"): Be very skilled in the field, you get better sense where fortune is.
  - From Unique Character: Because of unique/rare ability you go at such places where there is treasure, which no one can find.
- Wealth stacks up one chip at a time, not all at once

## 5. Make Luck Your Destiny

- Build character where luck becomes deterministic,
- Opportunity finds you.
- Build such a strong reputation/brand that everyone wants to work with you.
- Dig deeper than other people do,
- Deeper than seems rational just because you're interested.
- "Extreme people get extreme results."

## 6. You Won't Get Rich Renting Out Your Time

- Can't earn non-linearly while renting out time ie getting paid per hour.
- There, when sleeping, you're not earning.
- If your skills can be trained, then you are replaceable by another human or robot.

## 7. Live Below Your Means for Freedom

- People living below their means have freedom that those busy upgrading their lifestyle.
- Live like before even after you make money.
- Only make it functionally comfortable.
- Not for show-off of status.
- Status is zero sum game.
- (If you are not richer than Bill Gates, you are poor. Then why go in that race which you are sure not to be even close.)
- Typically money is made in discrete lumps, so that you don't upgrade your lifestyle overnight and erratically.

## 8. Give Society What It Doesn't Know How to Get

- Society will pay you for creating what it wants and delivering it at scale
- Figure out what product you can provide and then figure out how to scale it
- Steve Jobs figured out Smart Phone.
- Solutions start with the rich, like chauffeur driven cars, then trickle to common man, with Uber platform, everyone has a chauffeur driven car. At scale.
- "Entrepreneurship is essentially an act of creating something new from scratch. Predicting that society will want it, and then figuring out how to scale it, and get it to everybody in a profitable way, in a self-sustaining way."

## 9. The Internet Has Massively Broadened Career Possibilities

- With Internet you can find audience for product/talent/skill no matter where you are.
- Internet lets scaling of any niche obsession.
- When you're competing with people it's because you're copying them. Don't.
- Just do your own thing.
- No one can compete you, due to your original-ness

## 10. Play Long-Term Games With Long-Term People

- All returns in life come from compound interest in long-term games
- Play long-term games with long-term people. Pick such industry
- Find people who seem irrationally ethical.
- "Self-esteem is the reputation that you have with yourself." You'll always know.

## 12. Partner With Rational Optimists

- Don't partner with cynics and pessimists.
- We're genetically hardwired to be pessimists.
- But modern society is far, far safer. No tigers wandering around the street.
- To create things, be a rational optimist.
- Rational to see the world for what it really is.
- Optimistic about your own capabilities to get things done.
- "Either lead, follow, or get out of the way."
- Some people have 4th option: They tell that thing is not going to work.

## 13. Arm Yourself With Specific Knowledge

To make money ...

- You get rewarded by society for giving it what it wants and it doesn't know how to get elsewhere.
- You need:
  - Specific Knowledge: that only you know or only a small set of people know.
  - Accountability/Brand: you want to be known as the person who can deliver that.
  - Leverage/Amplification/Multiplier-effect: You need to have ways to scale your work without you and get paid passively.

## Why: Specific Knowledge

- Need to get paid at scale
- Stand out of the crowd and get paid sustain-ably iff you have Specific Knowledge.
- Much easier to be top 5 percentile at three or four things than it is to be literally the number one at something
- Specific knowledge comes on the job, not in a classroom.

## What: Specific Knowledge

- Not trainable (else others can get it, so more supply, so reduced to margin play. Its no more "mine' or ONLY I CAN DO)
- Must Scale
- Earns Passive income, while you are sleeping.
- Has Leverage (ie amplification ie once created earns multiple times)
- Low/Marginal cost of replication.

## How: Specific Knowledge

- Genuine curiosity
- Building judgment in a specific domain.
- Have intuition built.
- Been there done that type confidence.
- Experiments in your field.
- Gain expertise by doing.
- The failures are learnings too.
- Good, if, for that also, you can get paid.

## What: Leverage

Types:

- Labor: someone else working for you and expanding your work. (Difficult)
- Capital: Expand by putting more money, systems.
- Products that have no marginal cost of replication: books, media, movies, and code.

## 14. Specific Knowledge Is Highly Creative or Technical

- Specific knowledge is on the bleeding edge of technology, art and communication
- Specific knowledge can be taught only through apprenticeships, to an extent, on-job.
- Specific knowledge is specific to the individual and situation
- Build specific knowledge where you are a natural.

## 15. Learn to Sell, Learn to Build

- Builders: CTOs, Engineers, workers
- Sellers: Sales, Marketing, Advertising.
- Steve Jobs and Steve Wozniak with Apple. CEO, CTO combo.
- If you can do both, you will be unstoppable. Elon Musk.
- "I'd rather teach an engineer marketing than a marketer engineering" - Bill Gates.

## 16. Read What You Love Until You Love to Read

- Have ability to pick up any book, read it and absorb it.
- Avoid business magazines
- Study microeconomics, game theory, psychology, persuasion, ethics, mathematics and computers.
- "Reading is faster than listening, doing is faster than watching."
- Read originals/classics eg Adam Smith's The Wealth of Nations, Darwin's Origin of the Species.
- Don't fear any book.
- Retain good stuff and reject the bad.

## 17. The Foundations Are Math and Logic

- Mathematics and logic: basis for understanding everything else
- Foundational principles, (concepts, info arrangements) and algorithms.
- Read a great book slowly than to skimming through hundreds quickly.
- Understanding comes through repetition, usage, logic and foundations making you a smart thinker.
- Learn persuasion and programming.
- Need deep understanding of some complex topic.

## 18. There's No Actual Skill Called 'Business'

- Avoid business schools and magazines
- "Case studies" are just anecdotes, stories, other people's situations.
- Your stuff is different. Will understand only in real life.
- Doing is faster than watching or listening.
- In videos/audios, can't change speed too much. You cannot go back. Hard to highlight, save to notebooks, etc.
- The number of 'doing' iterations drives the learning curve.
- But not blind repetition of same things.
- Iterations are to be upgraded every time. (New weights after learning from back-propagation.)
- Change approach every time.
- If you're willing to bleed a little every day, you may win big later

## 19. Embrace Accountability to Get Leverage

- Take risks under your own name and society will reward you with leverage.
- People who can fail in public have a lot of power.
- Clear accountability is important. Without accountability, you don't have incentives, credibility.
- A well-functioning team has clear accountability for each position.

## 20. Take Accountability to Earn Equity

- If you have high accountability, you're less replaceable
- Accountability will get you equity.
- The equity holders take on greater risk, but in exchange, they get nearly unlimited upside.
- Accountability is reputation-al skin in the game

## 21. Labor and Capital Are Old Leverage

- Everyone is fighting over labor and capital
- Our brains aren't evolved to comprehend new forms of leverage
- "Fortunes require leverage. Business leverage comes from capital, people and products with no marginal costs of replication."
- Society over-values labor leverage. To get more done, employ more people.
- Need actually less labor and more of other types of leverages to excel.
- Managing people is hard. Avoid as much as possible.

## 21. Labor and Capital Are Old Leverage

- Capital, dominant leverage, of past.
- To buy better technology (which is generally expensive).
- To earn great amplification. With compounding effect.
- Need specific knowledge and accountability to obtain capital
- You get money from other based on your reputation.

## 22. Product and Media Are New Leverage

- Software and media can earn while you sleep
- No permissions are needed use Code/media leverage.
- Less/no marginal cost of replication.
- All new fortunes can be made here.
- Combining all three forms of leverage is a magic combination, a startup
- Less but very smart engineers, VC capital for marketing/scaling and lots of code/media/content.

## 23. Product Leverage is Egalitarian

- Best products are for everyone (middle bell curve) and for middle class.
- Product leverage is a positive-sum game (all gain)
- (Worlds richest are using same Android OS as others. The Flat world!!)
- Status goods are limited to a few people. But functionally need not be too great. Rolex watch still shows the same time. (But just a bit extra, or uncommon to fetch the premium).

## 24. Pick a Business Model with Leverage

An ideal business model has:

- Network effects: value grows as the square of the customers, as each new user adds value to the existing users.
- Zero marginal cost of reproduction: producing more is free
- Scale economies: the more you produce, the cheaper it gets

## 25. Example: From Laborer to Entrepreneur

Example: Housing Contractor

- Laborers get paid hourly and have low accountability
- General contractors get equity, but they're also taking risk
- Property developers pocket the profit by applying capital leverage
- Architects, large developers and REITs are even higher in the stack
- Real estate tech companies apply the maximum leverage.

## 26. Judgment Is the Decisive Skill

- "If you're steering a big ship, if you're steering Google or Apple, and your judgment is 10 or 20 percent better than the next person's, society will literally pay you hundreds of millions of dollars more, because you're steering a \$100 billion ship."
- Judgment is knowing the long-term consequences of your actions
- Without experience, judgment is often less than useless.
- Folks with best judgment are least emotional
- Emotions prevent you from seeing what's actually happening
- Judgment: exercise of wisdom.
- Top investors often sound like philosophers (wise, evolved, 'sorted')

## 27. Set an Aspirational Hourly Rate

- Set and enforce an aspirational hourly rate.
- Outsource tasks that cost less than your hourly rate.
- "My aspirational rate was \$5,000/hr" - Naval (Btw, Naval, after extrapolation to year, which is multi million dollars, achieved it!!)
- "You should be working on your product and getting product-market fit, and you should be exercising and eating healthy. That's about it. That's all you have time for while you're on this mission."- Paul Graham

## 28. Work As Hard As You Can

- If "getting wealthy" is your goal, you must work as hard
- But hard work is no substitute for who you work with and what you work on. Most important!!
- "product-market-founder fit" : how well a founder is personally suited to the business.
- No matter how high your bar is, raise it
- Anything you have to do, get it done. Why wait? You're not getting any younger.
- Impatience with actions, patience with results.

## 29. Be Too Busy to 'Do Coffee'

- Ruthlessly decline meetings
- Be too busy to 'do coffee' while keeping an uncluttered calendar.
- If someone wants a meeting, see if call is ok instead.
- If they want to call, see if email is ok instead.
- If they want to email, see if sms is ok instead.
- Ignore most text messages—unless they're true emergencies.
- Do walking meetings. Do standing meetings. Keep them short, actionable and small.
- Only meet if proof of work is ready, ie something working, not for ppt.
- Product progress is the entrepreneur's resume, unfake-able resume.
- Avoid meetings to free your time and mind.

## 30. Keep Redefining What You Do

- Become the best in the world at what you do.
- Keep redefining what you do until you're the best at what you do.
- Keep changing approach until you're number one.
- To be successful in life, get comfortable managing multi-variate problems and multiple-objective functions at once.

## 31. Escape Competition Through Authenticity

- Nobody can compete with you on being you.
- Competition will trap you in a lesser game
- Get away from the specter of competition, its stressful and nerve-wracking but also will drive you to the wrong way.
- If someone else starts firing rockets, Elon won't mind. He has his own mission. Mars. Whatever others may be doing, he is on it.

### 32. Play Stupid Games, Win Stupid Prizes

- Competition will blind you to greater games.
- Those in direct competition, really aren't. Me too businesses. (Shallow margins. Volume - TCSs, Wipros, INFys or the world.)
- They end up adjacent or slightly different.
- You're one step away from a completely different business.

### 33. Eventually You Will Get What You Deserve

- On a long enough timescale, you will get paid.
- It takes time.
- Apply judgment, apply accountability, and apply the skill of reading.
- What are you really good at, that the market values?

### 34. Reject Most Advice

- Most advice is their winning lottery ticket numbers.
- It won't make you rich.
- The best founders listen to everyone but make up their own mind.
- Scott Adams - "systems not goals"
- Even these notes, you should examine everything. If something doesn't feel true to you, put it down. Set it aside.
- Advice offers anecdotes to recall later, when you get your own experience

### 35. A Calm Mind, a Fit Body, a House Full of Love

- Yes, money will solve all your money problems. But it doesn't get you everywhere.
- You're still the same person. If you're happy, you're happy. If you're unhappy, you're unhappy. If you're calm and fulfilled and peaceful, you're still that same person.
- A calm mind, a fit body and a house full of love must be earned
- A lot of divorces happen over money, a lot of battles happen over internal anger

### 36. There Are No Get Rich Quick Schemes

- Get rich quick schemes are just someone else getting rich off you.
- We don't have ads because it would ruin our credibility. (Same for me on LinkedIn. I don't post someone else's job requirements. That smells foul money deal.)
- . If I say, "I know how to get rich, and I'm going to sell that to you," then it ruins it.
- Anyone giving advice on how to get rich should have made their money elsewhere

### 37. Productize Yourself

- Figure out what you're uniquely good at, and apply as much leverage as possible
- Find hobbies that make you rich, fit and creative.
- One that makes you money, one that makes you fit, and one that makes you smarter.
- (Say, Yoga can keep you fit throughout your life.)

### 38. Accountability Means Letting People Criticize You

- You have to stick your neck out and be willing to fail publicly
- Accountability means letting people criticize you.
- Don't refuse to do things just because others can't do them
- Realize your philanthropic vision by running a business.
- Many non-profit efforts would be better off as for-profit companies.

### 39. We Should Eventually Be Working for Ourselves

- Midlife can be the most fruitful time to apply this advice
- But we will have to make sacrifices and take on more risk.
- Look up the value chain to find leverage
- You will do better in a small organization
- The goal is that we are all working for ourselves

### 40. Being Ethical Is Long-Term Greedy

- If you cut fair deals, you will get paid in the long run
- Ethics isn't something you study; it's something you do
- Trust leads to compounding relationships
- Being ethical attracts other long-term players
- Being ethical is long-term greedy

### 41. Envy Can Be Useful, or It Can Eat You Alive

- Suffering through the wrong thing can motivate you to find the right thing
- But there are points in your life when it can be a powerful booster rocket.

### 42. Principal-Agent Problem: Act Like an Owner

- If you think and act like an owner, it's only a matter of time until you become an owner
- A principal is an owner; an agent is an employee
- A principal's incentives are different than an agent's incentives.
- The principal/owner of the business wants what is best for the business and will make the most money.
- The agent tries to please the principal or might make them personally the most money.

### 42. Principal-Agent Problem: Act Like an Owner

- Almost all human behavior can be explained by incentives.
- When you do deals, it's better to have the SAME (win-win) incentives.
- Be generous with top lieutenants—in terms of ownership.
- Over time you want them to be aligned with you.
- If you're an employee, think like a principal
- In big firms, Principal and Agent are very separated.
- Deal with small firms to avoid the principal-agent problem

### 43. Kelly Criterion: Avoid Ruin

- Don't bet everything on one big gamble.
- Be careful how much you bet each time, so you don't lose the whole kitty.
- Nassim Taleb: "ergodicity": What is true for 100 people on average isn't the same as one person averaging that same thing 100 times. (one go vs 100 in sequence)
- If chances of winning are 50% over population, then on a day, you may just lose, fully, that's it. Can't play anymore.
- Don't cut corners and doing unethical or downright illegal things. You will be in jail for a small risk/gain. Game over.
- Ruining your reputation is the same as getting wiped to zero.

### 44. Schelling Point: Cooperating Without Communicating

- In a multiplayer game, people respond based on what they think the other person's response will be.
- Shelling formulation: How do you get people who cannot communicate with each other to coordinate?
- Competing companies can settle at common price without communication, assuming both are rational. (Nash Equilibrium)
- Use social norms to cooperate when you can't communicate

## 45. Turn Short-Term Games Into Long-Term Games

- Improve your leverage by turning short-term relationships into long-term ones
- Pareto superior means something is better in some ways while being equal or better in other ways. It's not worse in any way. Useful in negotiations.
- Pareto optimal is when the solution is the best it can possibly be and you can't change it without making it worse in at least one dimension. There is a hard trade-off from this point forward.
- . If you want something too badly, the other person can extract more value from you.
- if someone is taking advantage, make short-term to long term. Make it repeat game. (??)
- Try to bring reputation into the negotiation. Try to include other people who may want to play games with this person in the future.

## 45. Turn Short-Term Games Into Long-Term Games

- Convert single-move games to multi-move games
- "Actually, I need two different projects done. The first project we'll do together, and based on that I'll decide if we do the second project."
- "I'm going to do this project with you, and I have three friends who want projects done who are waiting to see the outcome of this project."
- Another way to address, you being taken advantage of, is to write public review.

## 46. Compounding Relationships Make Life Easier

- Life gets a lot easier when you know someone's got your back
- Mutual trust makes it easy to do business
- If you are dealing with someone of 20 years of trust, you don't read contracts.
- The most under-recognized reason startups fail is because the founders fall apart.
- It's better to have a few compounding relationships than many shallow ones

## 47. Price Discrimination: Charge Some People More

- You can charge people for extras based on their propensity/ability to pay
- Price discrimination is a technique for charging certain people more, with something extra.
- Business-class seats routinely cost 5 or 10 times more than economy seats. But it costs the airline much less—maybe two or three times more than a standard seat—to provide perks like wider seats, more legroom and free drinks.
- Rich people and large enterprises are willing to pay more, so price discrimination works. They need a bit extra facility and status signal.

## 48. Consumer Surplus: Getting More Than You Paid For

- People are willing to pay more than what companies charge
- Consumer surplus is the excess value you get from something when you pay less than you were willing to pay.
- Although well-to-do people can pay \$20 for Starbucks coffee, it is still kept at \$5 for general consumers. So rich are getting a lot of consumer surplus out of the coffee.
- A lot of people are willing to pay more than what Amazon charges.

## 49. Net Present Value: What Future Income Is Worth Today

- See what future income is worth today by applying a discount to its future value
- NPV: That stream of payments I'm going to get in the future—what's it worth today?
- Apply this for any future payments, valuations, corpus needed to survive, etc.

## 50. Externalities: Calculating the Hidden Costs of Products

- Externalities let you account for the true cost of products by including hidden costs
- An externality is where there's an additional cost imposed by whatever product is being produced or consumed, that's not accounted for in the price of the product. Say, destroying environment.
- Pricing externalities is more effective than feel-good measures.
- Because the environment is finite and precious, price it properly and include into the cost of products and services.

## Bonus: Finding Time to Invest in Yourself

- If you have to work a "normal job," take on accountability to build your specific knowledge
- You will need to rent your time to get started. This is only acceptable when you are learning and saving.
- Chief of staff for a founder is one of the most coveted jobs for young people starting out in Silicon Valley.
- Find the part of the job with the steepest learning curve
- Develop a founder mentality
- Accountability is something you can take on immediately

## Bonus: Finding Time to Invest in Yourself

- Specific knowledge can be timely or timeless
- Machine learning is currently on top of the hype cycle.

- Later it may be very common; the world may have moved on to something else. That's timely knowledge.
- If you're good at persuading people (or simplifying things for others, teaching), It's always going to apply. That's timeless knowledge.
- You need combo. Scott Adams - "You might combine persuasion with accounting and an understanding of semiconductor production lines. Now you can become the best semiconductor salesperson and, later on, the best semiconductor company CEO."

## Bonus: Finding Time to Invest in Yourself

- Danny Hillis - "Technology is everything that doesn't work yet."
- Technology is: how to mass produce or create efficiently and commercially for everybody.
- Technology, a great field where you can pick up specific knowledge that is valuable to society.

## Bonus: Finding Time to Invest in Yourself

- If you don't have accountability, do something different
- Work in a way that your outputs are visible and measurable.
- From the agricultural and industrial ages: input hours were proxy for what kind of output you'd get. its linear.
- Today, it's extremely nonlinear. One good investment decision can make a company 10million or 100 million.
- One good product feature can be the difference between product-market fit and complete failure

## Bonus: Finding Time to Invest in Yourself

- As a result, judgment and accountability matter much more.
- Often the best engineers aren't the hardest workers. Sometimes they don't work very hard at all, but they dependably ship that one critical product at just the right time
- People need to be able to tell what role you had in the company's success.
- You'll develop thick-skin if you take on accountability, as both good and bad things come your way.

## References

- Blog <https://nav.al/rich>
- Youtube Channel "Naval", Playlist "How to get rich"