

# INVESTOR MINUTE

## How to Keep “Fun Money” From Derailing Your Investing Plan



Dale Carnegie, one of the 20th century’s most recognized authorities on reaching your full potential, argued for the importance of enjoyment in life.

“People rarely succeed,” he wrote, “unless they have fun in what they are doing.”<sup>1</sup>

Even when you’re working toward a goal that requires discipline, such as saving for retirement, you must plan for ways to make it enjoyable. A plan that makes no allowance for fun, including money earmarked for that purpose, is very difficult to stick to over the long run.

Additionally, the whole purpose of a financial plan is to help make your money work for you so you can do the things you think are most important. Your money should serve you. Not the other way around.

But what if your idea of fun includes doing a little gambling? Or, equally as risky, dabbling in cryptocurrency, commodity speculation, or day trading?

Of course, you never want to play with more than you can afford to lose. But even with sensible limits, could there be any harm in risking a little money chasing the potential to get a quick

return?

Morey Stettner, a personal finance columnist for MarketWatch, says yes. You might want to think twice about using your fun money for speculation. First of all, he points out, you should recognize that there's a difference between spending money on something you enjoy and simply squandering it.<sup>2</sup>

Zachary Scott, a certified financial planner, told Stettner that when clients bring up the idea of a "fun money" account they want to use for risky bets like cryptocurrency, he recommends against it.

"My definition of fun money is money you literally use to have fun," said Scott. "That means spending it on an experience like a vacation or a dinner out."

In other words, you should treat your serious money seriously and your fun money intentionally.

One of the problems with playing at speculative investing is that it can change how you think about prudent investing for the long-term. When saving for retirement, the possibility of getting an emotional charge out of a short-term big win should not be part of the equation.

Your best chance for long-term success is when you commit to following your plan regardless of how you feel about gains or declines in the short-term.

Another drawback to using fun money for speculation is how it can affect your relationship with your advisor.

Stettner points out that investors who speculate for fun may not want their advisor to know about it. If they lose significant money through what amounts to gambling, it's likely been done in direct opposition to their planner's advice, which makes disclosing it doubly embarrassing.

Instead, the prudent investor will work with their trusted advisor to plan for, and fully fund, enjoyable experiences even as the investor is saving at a level that requires discipline. They realize that there is simply no amount of money that can satisfy an appetite for speculation, soothe the depression that comes with loss, or win back those losses from previous bad bets.

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**Sources:**

1. <https://www.goodreads.com/quotes/33781-people-rarely-succeed-unless-they-have-fun-in-what-they>
2. <https://www.marketwatch.com/story/its-addictive-its-seductive-and-you-can-destroy-your-future-keep-fun-money-from-ruining-your-investment-plan-11675056664>

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