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Meir Statman, PhD

LIFE AS A PORTFOLIO OF DOMAINS, AND HOW FINANCES SUPPORT THAT PORTFOLIO

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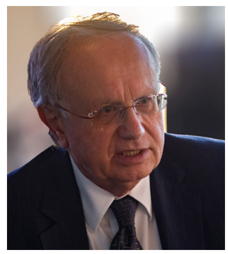
Meir Statman, PhD, is the Glenn Klimek Professor of Finance at Santa Clara University. His research focuses on behavioral finance. He attempts to understand how investors and managers make financial decisions and how these decisions are reflected in financial markets.



Meir Statman, PhD

Statman's research has been published in the Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Financial and Quantitative Analysis, Financial Analysts Journal, Journal of Portfolio Management, *and many other journals. His research has been supported by the National Science Foundation, CFA Institute Research Foundation, and Investments & Wealth Institute. His most recent book is* A Wealth of Well-Being: A Holistic Approach to Behavioral Finance.

Statman is a member of the advisory boards of the Journal of Portfolio Management, Journal of Wealth Management, Journal of Retirement, Journal of Investment Consulting, *and* Journal of Behavioral and Experimental Finance*; an associate editor of the* Journal of Behavioral Finance *and* Journal of Investment Management*; and a recipient of a Batterymarch Fellowship, a William F. Sharpe Best Paper Award, two Bernstein Fabozzi/Jacobs Levy awards, a Davis Ethics Award, a Moskowitz Prize for best paper on socially responsible investing, a Matthew R. McArthur Industry Pioneer Award, three Baker IMCA Journal Awards, and three Graham and Dodd Awards. He was named as one of the 25 most influential people by* Investment Advisor. *He consults with many investment companies and presents his work to academics and professionals in many forums in the United States and abroad.*

He earned a PhD from Columbia University and BA and MBA degrees from the Hebrew University of Jerusalem.

In June 2024, Robert Powell, CFP®, RMA®, Retirement Management Journal *editor-in-chief, and Victor Ricciardi, visiting assistant professor of finance at Ursinus College, spoke with him about his career, his research, and how he thinks about the role of financial advice within the broader context of life well-being.*

Robert Powell: What were the major factors that helped shape your career and bring you to where you are today? What do you regard as your major achievement or achievements and your biggest mistake or disappointment?

Meir Statman: I've always been interested in human behavior. In the late 1960s, when I was contemplating my university studies, my father suggested accounting because it's practical. I thought that accounting was practical but really boring. So, I chose economics, which is practical but, I thought, closer to human behavior. I added statistics to make it more practical and, later on, I added finance for my MBA. What I found, however, was that economics and finance at the time were about the behavior of rational people, not about the behavior of normal people like me and the people around me. This is especially ironic because in the building right next to mine at the Hebrew University, Daniel Kahneman and Amos Tversky were doing the pioneering work that now underlies behavioral economics and finance.[1] I would go to the psychology building to earn some pocket money by participating in experiments but never met Kahneman and Tversky, and none of my teachers mentioned their names. I read their work and met them much later, at the beginning of the 1980s.

I was not entirely sure what work I wanted to do when I graduated. I did not know the world and did not know myself. My first job was that of a financial analyst in a large company. The job paid enough to support my family, and a pension awaited me in retirement, but it was boring. I decided to come to the U.S. for a PhD, not knowing what would come next. I found my vocation in teaching and scholarship. This is what I continue to do, now that I am in my late 70s.

What are my accomplishments? As a scholar in the early '80s, I was among the first who worked on what we know now as behavioral finance. I continue to use my observations of myself and others as a laboratory, deriving ideas for scholarly projects. For example, working as a financial analyst, I observed the tendency of project managers to throw good money after bad, reluctant to terminate losing projects. This observation underlies my projects about managers' reluctance to terminate losing projects and investors' reluctance to realize losses.

I'm happy as a teacher. I am delighted when I look at my students' eyes and see that they comprehend what I'm striving to teach. And I connect academics to life. For example, I share my life story of serendipity with my undergraduate students as they engage in internships and I ask them to write reflection essays centered on Santa Clara's "3 Cs" of competence, conscience, and compassion. I tell them that they will learn many things about the world in their internships, and they will learn even more about themselves. "If you hate your internship," I'd say, "you've learned something important about the world and yourself. Look for work that will be a vocation more than a job and career."

Disappointments? I have one major disappointment. Our older daughter Barbara lives with bipolar illness. In the early '80s, therapists thought that her behavior was due to family dynamics. Navah, my wife, and I were told that blame lies with the two of us, and the only question yet to be answered was whether blame lies mostly with Navah or with me. Our well-being is greater now. We understand Barbara's illness. We have the necessary financial means to support Barbara, and Ruth, Barbara's younger sister, loves her older sister and supports her. And Barbara ends every conversation with "I love you." Navah does much volunteer work for the National Alliance on Mental Illness. She has helped numerous people and families and that brings well-being to the people she helped and to us, knowing that she's doing good for people who need help. But we cannot undo the past and we cannot do what could have been done to help Barbara if we had the information about Barbara's illness earlier.

Victor Ricciardi: What common biases do clients suffer from during the retirement planning process? And what strategies can financial professionals utilize to help clients overcome them?

Meir Statman: Let me begin with wealthy clients who are many among the clients of financial advisors. I, like typical wealthy clients, do not think of myself as wealthy, but if you look at my portfolio and theirs you will find that we are wealthy, more than upper middle-class. The problem wealthy people face as they age is the transition from saving to spending. I did not make my money from a start-up that became a Google. I had a steady job, saved portions of my salary and consulting income, and the university added to those savings. Compounding works. And suddenly I find myself as an accidentally wealthy man. I am conscientious, like many wealthy people, good at moving money from my income mental account to my capital mental account, by 401(k) and similar saving programs, and have sufficient self-control to refrain from dipping into capital.

But there comes a time, as we age, when mental accounting and self-control become obstacles to life well-being. Too many people redeposit their RMDs [required minimum distributions], muttering about an evil government forcing them to take their RMDs to extract taxes. There comes a time to remove these obstacles.

For Navah and me, that time came in 2016 when we were traveling to Israel. We were on the wait list to be upgraded to business class, which would have cost some money and miles, but we were not upgraded. And we said: "The heck with it. We are sufficiently old and sufficiently well-off to buy those exorbitant business class tickets." And that's what we have done. At the same time, we've increased our contributions to charities. So, we take care of ourselves, we take care of our children, and we take care of our community.

Most financial advisors are like me. They're conscientious, but they see conscientious clients turn into misers, diminishing well-being. I say it is better to give with a warm hand than a cold one. Children need money from parents when they are in their 20s and 30s, for a down payment on a house, for a wedding, to extinguish college debt, and more. Don't make them wait until you die at 95 and they are 65.

We have to be mindful, of course, because many clients are not wealthy. For them, designing a spending program that makes sense is very important. One reasonable design combines spending Social Security, RMDs, and spending from savings not subject to RMDs by the RMD schedules. RMD schedules are pretty conservative, and RMD payments increase as we age, reflecting the fact that even good people eventually die. RMD payments also decline following stock and bond market declines, making spending more conservative.

Robert Powell: Meir, I'm often told by advisors that they are in a position where they have to give clients permission to spend. They feel like because they don't know their longevity, that they don't know how long their money will last, and yet the advisor is in a position to say, "You have more than enough, spend it now, die broke."

Meir Statman: The proverb in Yiddish is, "Man plans and God laughs." A dear friend of mine found out not long ago that he has terminal cancer. He is at the beginning of his 60s, a man who eats right and exercises regularly. He is very thoughtful always, even in this difficult time. He lived frugally and says that he does not regret it.

I've seen comments on articles that I've written in the *Wall Street Journal* that said, "People who live today can expect to live to 100 and their kids will live to 150." And I say: "You must be kidding. Look at the obituaries." We talk too much, I think, about longevity and the problem of running out of money before running out of life. I think we should pay more attention to running out of life before running out of money.

Among Jews, the saying is "to 120." My mother-in-law recoiled at that saying. She died peacefully at home at 95. Have you ever visited a nursing home?

GENERATIONS OF BEHAVIORAL FINANCE

Victor Ricciardi: What is meant by the concept of the third generation of behavioral finance? How does this third generation of behavioral finance apply to retirement planning?

Meir Statman: Let me begin with standard finance that describes people as rational. Rational is more than "logical" or "reasonable" as we use it in everyday language. Nobel laureates Merton Miller and Franco Modigliani [1961] defined rational investors well by setting them on two pillars. First, rational investors "always prefer more wealth to less." Second, rational investors "are indifferent as to whether a given increment to their wealth takes the form of cash payments or an increase in the market value of their holdings of shares." They never commit cognitive errors such as "framing" errors that mislead into perceiving a $1,000 company-paid dividend as different from a $1,000 "homemade dividend" they create by selling $1,000 worth of their shares.

The first generation of behavioral finance dispensed with the second pillar, describing investors as "irrational." Irrational investors aim to maximize their wealth, as rational investors do, but they are inflicted by cognitive errors such as framing errors that lead them away from it. For example, Brad Barber and Terrance Odean [2000] found that investors trade too much because they are overconfident in their ability to beat the market, diminishing their wealth rather than enhancing it.

The second generation of behavioral finance I developed describes investors as "normal," people like you and me, neither computer-like rational, nor bumbling irrational. The second generation dispensed with not only the second pillar of rationality, that investors are immune to cognitive errors, but also the first pillar of rationality, that investors always prefer more wealth to less. Normal investors want utilitarian, expressive, and emotional benefits from every product and service, whether it's watches, restaurant meals, or investments. Think for example about socially responsible investors. They care about the utilitarian benefits of wealth from their investments, but they also care about the expressive and emotional benefits of staying true to their values. Sometimes they are willing to sacrifice utilitarian returns and wealth for these expressive and emotional benefits.[2]

The general point is that there are many things we call errors because they involve sacrifices of utilitarian benefits, when we should describe them as wants for expressive and emotional benefits. Trading diminishes utilitarian returns but, for some people, it enhances expressive and emotional benefits as playing video games does.

The third generation of behavioral finance I developed also describes people as normal, but it expands that lens of finance further to show investors as people before they are investors. We enjoy financial well-being when we balance our saving and spending now and in the future. We enjoy life well-being when we live satisfying lives, full of meaning and purpose. We need financial well-being to enjoy life well-being, but it is life well-being that we seek. Life well-being is at the center of my new book, *A Wealth of Well Being: A Holistic Approach to Behavioral Finance* [Statman 2024].

INVESTING, SAVING, AND SPENDING

Victor Ricciardi: Behavioral finance has created an extensive body of knowledge. With thousands of published research studies, the discipline has identified dozens of financial biases that clients and professionals suffer from. However, in your viewpoint, how much has investor behavior actually improved? I was also thinking about the data from the DALBAR study that shows, whether you're looking at 10 years of data, 20 years of data, the average equity mutual fund investor gets about a 5.5–6-percent return every year. It seems like we're diagnosing the patient very well, but how we actually cure the patient is what I was thinking about.

Meir Statman: It's important to distinguish investors from traders, and the DALBAR study refers to traders more than to investors. I think that investor behavior over the years has improved. Normal people are intelligent. They learn. You can see that in the increasing proportion of money going into low-cost, widely diversified index funds. We now also have better institutional arrangements such as 401(k) plans that make it easier to save and invest wisely.

Still, it is nice for me to tell people in their 20s, "Just follow my path, invest in index funds and you will be wealthy when you are in your 70s." And they say, "My 70s are a long time away—I would like to have a new car, I would like to join my friends at the restaurant or ballpark." So, my students are attracted to cryptos. Be careful, I say to them, but I can empathize with their aspirations and avoid being a scold.

Robert Powell: Meir, you talked a bit about how we can get savers to become better spenders. What can advisors do to help their clients who are spenders become better savers?

Meir Statman: Good saving and spending behavior are habits we learn first from our parents. My father opened a savings account for me when I was a kid, and he doubled any money I deposited. I did the same for my daughters.

I save as a habit, not for a goal. When I was a kid, I wanted a bike, as all kids want. My mother was afraid that I would break my bones, which of course I did. But one day I came home and there against the entrance was a new bike. I asked my dad how much it cost, and he said, "one lira," the smallest denomination in Israel at the time, like a dollar here. He wouldn't tell me how much it cost. He implied, "This is a gift and when you give a gift, you take off the price tag." My mom said, "Spend money but don't waste it." And that is the mantra that still guides me. I do not wait two weeks to cool down when I want to buy something small on Amazon. If I want it, I buy it.

We need tools to help us save. I tell in my book a story about a man who gave his earnings to his mom who wouldn't give it back to him to spend. A woman opened a savings account in a bank that was many miles away on purpose to make it hard for her to reach her savings.

Robert Powell: Procter & Gamble was famous for cueing the habit of people spraying Febreze. I'm curious if it's possible to cue the saving habit?

Meir Statman: I think that it is possible to cue the saving habit. Good parents do, but not all parents are good parents and not all parents have learned good lessons from their own parents. Circumstances also matter. People who grow up in poverty know that money will not always be available if they wait. So, many are quick to spend money when they have it.

Today, many high schools teach personal finance. I know a man who sponsors many of these programs for high school kids. I was speaking at one of his teachers' meetings and one said: "I teach in a community of poor families and wealthy ones. The kids who come from poor families think that the wealthy ones accumulate their wealth by investing in the right stocks." Students have to learn that the wealthy people are wealthy because they invested in education and enterprise, becoming doctors, lawyers, professors, and business owners. Now they invest good chunks of their wealth in the stock market, but they didn't make their money in the stock market.

Government structures help even people who hate government. Some people say, "Let me have my Social Security money to invest better than the Social Security bureaucracy." I say: "Maybe you can, but maybe not. What if you spend your Social Security money now and live in the streets when you're old?"

SOCIAL SECURITY AND MEDICARE

Robert Powell: You mentioned Social Security. The most recent trustees report says that we will be scheduled to pay out 80 cents on the dollar come 2033. Would you recommend any changes to Social Security, Medicare, or both given the problems that they face?

Meir Statman: On Social Security, it is good that people like me who have high incomes in addition to their Social Security payments pay taxes on 85 percent of their Social Security benefits. The government can cut down payments to people at the upper end of income and wealth or increase taxes. I understand the resistance to higher taxes, I don't like taxes either, but the money has to come from somewhere, and it makes sense for it to come from people who have money.

On Medicare and Medicaid, I recently read a fascinating book, *We've Got You Covered*, by two economists [Einav and Finklestein 2023]. They suggest that instead of tinkering with the system as we have now, we need to tear it down as we tear down a dilapidated house and build a new one. They suggest setting a basic level of medical care that everyone is entitled to, paid by taxes, and letting people buy extra insurance for medical care beyond basics. That makes a lot of sense. Right now, you will be arrested if you go into a store and steal a loaf of bread. But if your mom is close to death you can say, "Do everything to keep her alive" and physicians cannot overrule you. Medicare is really designed in a screwy way.

They suggest that instead of tinkering with the system as we have now, we need to tear it down as we tear down a dilapidated house and build a new one.

There are other things that can be done to improve Medicare and Medicaid, for example, get more physicians and remove barriers to competition among physicians and among hospitals. I have a nephew who graduated from dental school but finds anesthesia most interesting and is good at it. Now he travels to clinics of dentists who need anesthesiologists when performing serious operations. He wants to practice anesthesia beyond dental, but he cannot, and we know why. It has nothing to do with his ability to do the job, it has to do with physicians' guilds. We need to relax these, allowing greater immigration of physicians and making required exams reasonable rather than barriers to competition.

I have a niece in Israel who is in the group that builds the basket of covered medications, the ones paid for by the government. In the U.S., if a medicine is approved by the FDA [Food and Drug Administration], Medicare has to buy it, even if it costs millions. In Israel, they compare costs to benefits. If a medicine's cost exceeds its benefits, it is not in the basket. You can get it on your dime, not on the government's dime.

FINANCIAL WELL-BEING LEADS TO LIFE WELL-BEING

Robert Powell: Let's talk more about your book, *A Wealth of Well-Being*. You talk about how financial well-being can lead to life well-being. Can you expand on that a little bit more?

Meir Statman: When people are asked what is really important in life, they are likely to mention family first, or friends. But we need financial well-being to enjoy life well-being. Having no money is a sure way to divorce. We don't need great riches to enjoy high life well-being, but we need adequate incomes and wealth.

High life well-being requires more than financial well-being. We can think of life well-being as a portfolio that includes the domain of family and within that, marriage and children, adult children, grandparents, even pets. The portfolio includes the domains of friends, health, education, work, and religion. It even includes the domain of society. Think how the outcome of recent presidential elections enhanced the life well-being of half the country and diminished the life well-being of the other half.

Some well-being domains will be winners, as some stocks will be in an investment portfolio, and some will be losers. This is why we diversify. We must learn to live with the pain of the losers. It took me a long time to come to terms with the pain of my daughter's illness in my family domain. Sometimes I still am frustrated and even angry, but my life well-being is higher than it was years ago. My life well-being portfolio has many winning domains, including those of finances, education, and work.

This is a case where clients or prospects are forthcoming about their pains. But often, clients are not forthcoming, thinking that advisors are only financial advisors, not well-being advisors.

Advisors do well when they consider life well-being as a portfolio. When a client complains about a disappointing investment in the portfolio, the advisor says: "Look, that's the point of diversification. You'll always have disappointing investments, but we do not know their identities when we invest." The same is true for life well-being portfolios.

A long time ago, an advisor told me about a couple that came to him and said, "Before you start planning for us, you should know that we have a disabled son and you should plan for him first, such that he's taken care of long after we are gone." The painful domain in these prospects' lives is the domain of parents and children. But they can compensate for that pain, even if not fully, by having enough in the domain of finances to support their disabled child.

This is a case where clients or prospects are forthcoming about their pains. But often, clients are not forthcoming, thinking that advisors are only financial advisors, not well-being advisors. Well-being advisors cross the boundary from financial well-being to life well-being. I'm not suggesting that this is news to financial advisors. Many, perhaps most, financial advisors are already acting as well-being advisors even if they don't describe themselves as such. But all can do better.

Robert Powell: Meir, I have to say, when I first got your book, I was surprised and delighted that it was not your typical finance book. You talked about dating and marriage, widowhood, divorce, parents, elderly parents, grandparents, siblings, pets, friendship, work, education, religion, and society. It is remarkable that people will open this book and perhaps say, "Well, this is not what I was expecting."

Meir Statman: It is important for me to expand that circle of finance. This is what I've done when I joined others to expand it from standard finance to the first generation of behavioral finance and this is what I've done as I expanded the circle of finance further into its second and third generations of behavioral finance. Expansion of the circle of finance adds to the finance, bringing it closer to reality. It does not obliterate what came before. Options pricing models are part of standard finance, and they are in the circle. Cognitive errors and their remedies are part of the first generation of behavioral finance, and they are in the circle. Quests for expressive and emotional benefits are part of the second generation of behavioral finance, and they are in the circle. Life well-being is at the center of the third generation of behavioral finance, and it is in the circle.

People who adhere to standard finance might say, "Well, that is stuff that marketing people do, that sociologists do." I think that we should incorporate into finance knowledge from other fields rather than exclude it. Economist Gary Becker is justly renowned for expanding the circle of economics to ask and answer questions about marriage and children, even about crime. We should do the same as we expand the circle of finance.

People who expect a standard finance book as they open my book might say: "This is not what I expected. I expected a book about how to beat the market." But I hope that as they read the book they would say: "This is teaching me that finance is broader than I've imagined. It teaches me how to enhance my own life well-being and, if we are advisors or professors, it teaches us how to enhance the life well-being of our clients and students."

Here is a question about finances and life I explored in my book. Why is there such a strong quest among upper middle-class American parents and children to secure a place at Ivy

League or other prestigious universities? Why do so many American parents and children think that the sky would fall and their lives would be ruined if children fail to be accepted by a prestigious university? It was not always so. I've lived in the U.S. for more than 50 years and earned my PhD from Columbia, an Ivy League university, but I chose it mostly because it offered good financial aid, not because it offered great prestige. Indeed, I've learned more at the Hebrew University than at Columbia.

Economists offer many possible answers to the question. Perhaps the answer is in the fact that travel by air is now much cheaper relative to income than it was in the 1970s, and so is the cost of communication. I remember the time when long-distance telephone calls were expensive and set at three-minute increments. So now the market for spots at universities is national and international rather than local. Kids from California can attend Princeton and kids from the East Coast can attend Stanford, increasing the demand for spots at top universities when supply of such spots is limited.

Another possible answer is rooted in the 1965 Immigration and Nationality Act that abolished quotas by countries and allowed many more families from India and China to immigrate to the U.S. I live in Silicon Valley among such immigrants. Parents in these families are mostly engineers, graduates of top universities in their countries, and they bring with them the culture they grew up in. Graduating from a top university is really important in India and China, opening doors to professions and government jobs. So, they press their children to do the same, even though in the United States the particular university you graduate from is much less important. In fact, incomes of Ivy League college graduates are not much higher on average than those of graduates from other colleges.

It is interesting to compare university structures in the United States to those of Canada. We have a steep university pyramid in the U.S., with Ivy League at the top and all the way down to community colleges. In Canada, however, the pyramid is pretty flat. People choose not so much by the prestige of the university but by the subject they want to study. As one mother said, "If my son is a physician, nobody is going to come in and check which university he graduated from." I've been surprised and delighted by many of the important lessons I have learned as I worked on the book. I think readers will be surprised and delighted too.

TYPES OF CAPITAL

Robert Powell: In your book, you say there are four types of capital and that advisors are not incorporating this into their planning software—financial, social, cultural, and personal. Why do advisors need to think about those sources? How would they incorporate these sources of capital into financial planning projections?

Meir Statman: Financial capital helps us attain high evaluative well-being, often measured by Cantril's Ladder. Think of a ladder with steps from zero, the worst life you can imagine for yourself, to 10, the best life. On which step do you stand now? As you answer this question you reflect on your life as a whole, not your emotions, happy or sad, at this very moment. How are you doing relative to how you did 10 years ago? How are you doing relative to your social comparison groups, family, co-workers, neighbors? Ample financial capital enhances evaluative well-being,

Ample financial capital also helps us attain high experienced or emotional well-being. Think of the constant anxiety and frustration of poor people, such as when their cars break down, requiring new $3,000 transmissions. Compare them to well-off people. Poor people might lose their jobs because they cannot afford to fix their cars and drive to their jobs. Well-off people pay the $3,000 by credit card and get a replacement car to drive to work.

We also benefit from social capital, our family and friends, close and distant. The elites, people with high incomes and education, tend to have more distant friends, such as college classmates, who are now corporate executives they can call for job leads, or professors they can call for tips on getting their kids into the colleges of their choice. Members of the working class lack the social capital of distant friends, but they have closer family and friends who can help with a loan or transportation to the doctor. Yes, Uber is available to all, but it is expensive when the budget is tight.

Cultural capital is about knowing the elements and rules of culture. Can you speak about baseball? Can you speak about operas? Do you know what to say in a job interview? I experienced differences in cultural capital when I came to the United States from Israel. In Israel of that time, which is 50 years ago, it was acceptable to ask personal questions of the kind unacceptable then or now in the U.S. I recall the mother of a high school classmate who came to our home and asked: "Do you own this house? How much did it cost?" I was careful during my early years in the U.S., exploring the cultural capital of Americans as anthropologists explore the cultural capital of natives.

Personal capital is about personality, looks, gender, race, and more. Tall and handsome men have an advantage in careers and among women. Personality that attracts people, such as extraversion, enhances well-being. Conscientiousness enhances well-being by making it easier to save and to balance saving and spending.

THE ROLE OF THE ADVISOR

Victor Ricciardi: Meir, you once described advisors as financial physicians. I was wondering if your current book builds on that concept.

Meir Statman: It does. My book describes great financial advisors as great well-being advisors and great financial physicians. Good physicians treat illnesses. Great physicians treat patients. As patients, we want physicians who treat us as people more than as carriers of illnesses. We expect great physicians to be at the frontier of medical knowledge, but we also expect them to apply great "bedside manners." The same is true for great financial advisors. Great financial advisors treat clients as people before they treat them as investors. Great financial advisors are at the frontier of financial knowledge, but they also are great at the equivalent of bedside manners, crossing from financial well-being to life well-being. Great advisors explore pain in family, friends, health, work, education, and all the other life well-being domains. They empathize with clients and, when possible, help alleviate these pains.

We expect great physicians to be at the frontier of medical knowledge, but we also expect them to apply great "bedside manners." The same is true for great financial advisors.

Moreover, advisors get most of their clients by referral, and referrals do not come from beating the market. Referrals come from acting as great well-being advisors and great financial physicians.

I think that my book can make it easier for advisors to be great well-being advisors and great financial physicians. Advisors who share my book with clients can begin or continue to engage them in conversations about both financial and life well-being. The book describes many rigorous studies of well-being, but it illustrates them with real-life stories. Clients will see themselves mirrored in some of these stories but not in others. Some stories are about parents with disabled children. Do these mirror clients' lives? Some stories are about parents doing everything to get their children into Ivy League colleges. Do these mirror clients' lives? Some stories are about major illnesses or early death. Do these mirror clients' lives?

LEGACIES, AND NOT JUST HIS OWN

Robert Powell: Meir, it's not long since Daniel Kahneman passed. Any words or reflection?

Meir Statman: When people think about Kahneman, they often say, "Oh, I remember the Linda experiment where people commit a cognitive error, thinking that Linda is more likely to be a bank teller and feminist than a bank teller, neglecting the obvious fact that there are more bank tellers than bank tellers who are also feminists."[3] But what people don't know as well is Kahneman's pioneering work on life well-being.[4] I had an opportunity to write a paper about Kahneman and his work, focusing on his contributions to our understanding of well-being. One of the many things I admire about Kahneman is his efforts to expand the circle of psychology much beyond cognition to emotions to well-being. I'm no Kahneman, but I do the same in my efforts to expand the circle of finance beyond financial well-being to life well-being.

Robert Powell: Would you talk about the endowment that you set up at Santa Clara University?

Meir Statman: Navah, my wife, and I have established a $3-million endowment at Santa Clara University. Navah received her MBA at Santa Clara University, supported by a scholarship that covered her tuition. We were thinking about what the endowment would do, perhaps a professorship named after Navah and me or perhaps an endowment for students' scholarships. But we chose to have it as an endowment that provides funds to finance faculty members for teaching and scholarship. Donors to universities commonly donate for buildings, professorships, and students. These are all good. But few donors understand the importance of scholarship. Higher-ranking universities provide faculty summer grants for scholarship. We are not one of them. So, our endowment would provide such funds.

It brings Navah and me great joy knowing that we can help people, and it enhances our well-being. We contribute much to the National Alliance on Mental Illness, the university, and other causes such as Second Harvest. We are exceedingly lucky, and we know that. We call our contributions "good-luck insurance."

Robert Powell: When do you plan to retire?

Meir Statman: Well, one answer is, never. But then I remind myself that man plans and God laughs. I'm healthy now, but I will retire when my health does not let me make sufficient contributions to my students and to the people beyond my university. I will carry on for as long as I can.

Robert Powell: We've covered a lot of ground. Anything that we missed that you wish we would have asked or that you would want to talk about that we haven't touched on?

Meir Statman: Beyond information and insights, I hope that readers of my book know of life well-being as a portfolio of domains. No person or family is without pain. It is crucial for all of us, not only for advisors, to disclose our pains to others, have them empathize with our pains, and have us empathize with theirs, even when we cannot help beyond empathy. I was speaking with a colleague, telling him about my older daughter's illness. He told me about his younger daughter who suffered serious brain damage in an accident. We empathized and comforted each other. Now we are friends, more than colleagues. And we enhanced our life well-being.

I hope that you live a long life, but eventually everybody dies. Make sure that you enhance your life well-being and that of others before you die. My dad would say, "You are measured by the number of people who come to your funeral."

I end my book by quoting King Gilgamesh of Mesopotamia, four-millennia ago, and the life well-being lessons he left to all of us:

> *Humans are born, they live, then they die, this is the order that the gods have decreed. But until the end comes, enjoy your life, spend it in happiness, not despair. ... Love the child who holds you by the hand, and give your wife pleasure in your embrace. That is the best way for a man to live.*[5]

ENDNOTES

1. Daniel Kahneman and Amos Tversky's work was recognized in a 2002 Nobel prize. Sadly, Tversky passed away before that date, making him ineligible for the prize.
2. See Statman (1999, 2011, 2017).
3. See Tversky and Kahneman (1983).
4. See Kahneman et al. (1999).
5. See Jarman (2005).

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