

BOOKS

The Algebra of Wealth A Simple Formula for Financial Security By Scott Galloway

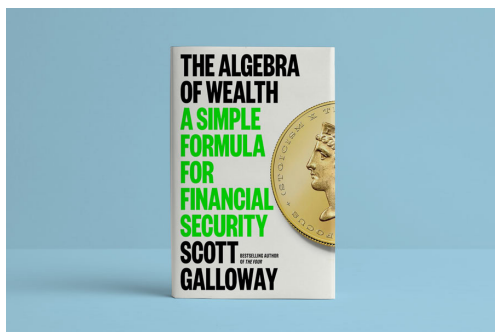
Liz Hecht, January 2025

"I've met hundreds, perhaps thousands of entrepreneurs, and I'm convinced the majority did not start companies because they could, but because they had no other options."

—From *The Algebra of Wealth*

Once upon a time long ago, I was hunkered down at my desk generating some last-minute edits for the Wall Street trade publication I worked for when suddenly I detected a presence by my side: My boss. My boss was not there to say, "Hey Liz, good job for scooping the *Wall Street Journal*!" Oh no. He wanted to request that I dress more formally at the office. Having been on deadline without a break for close to 17 hours, I was in no mood for this. "Well gee," I said. "I would like to dress more formally, too, but unfortunately I do not have enough money to pick up my dry cleaning this week. Maybe if this company paid me a living wage, I'd dress better."

Thus an entrepreneur is born.



Scott Galloway, a professor of marketing at NYU Stern School of Business and a serial entrepreneur, published *The Algebra of Wealth* in 2024. I wish he had written this book decades ago when I was first cutting my teeth in the world of work.

Early in *Algebra*, Professor Galloway notes that "this is not a typical personal finance book." Happily, it's not. The word "algebra" in the title promises the certainty of a formula applied to changing, often unknown quantities. And this book does indeed deliver a formula that pleasingly integrates quantitative and qualitative variables.

The quantitative part is simple:

ECONOMIC SECURITY = Passive income > Burn rate

"Economic security," Professor Galloway writes, "is control. ... It is knowing that you can plan for the future, commit your time as you see fit, and provide for those who depend on you." Economic security means "acquiring sufficient assets—not income, but assets—such that the **passive income** they generate exceeds the level of spending you choose for yourself—your **burn rate**."

The Algebra of Wealth proceeds to address in depth the qualitative ingredients—Stoicism, Focus and Time—that will help readers turn income into assets and labor into capital. A final section entitled Diversification offers a concise tutorial on the economy and the financial markets. Professor Galloway describes the financial markets as "the phone booth in which money changes into its superhero outfit to become capital" and advises which investments to emphasize (ETFs, a cost-effective way to achieve portfolio diversification via a single security) and what to avoid (day trading, "like gambling but with worse odds and no free drinks").

Different readers will respond to this book in different ways. I personally am grateful for the following wealth-building life lessons:

Find Your Talent versus Follow Your Passion. “Passion careers suck,” the author observes. “Follow your passion” is Latin for “Prepare to be exploited.” This is good advice for most people, particularly as most people don’t necessarily start with a passion but find one through experience. Professor Galloway describes how he discovered a passion for writing through the discipline of writing a weekly newsletter: [No Mercy/No Malice](#). “For most, the kind of passion that guides us, a lodestar-on-the-horizon kind of passion, is not a birthright. It’s something we find through work.” In an excellent chapter on the ROI of various professions (“be careful what wave you’re paddling into”), *Algebra* describes media (publishing, television, journalism), for example, as “a volatile business that can feel exploitative.”

Don’t Worry, Do Prepare. On the road to building income that becomes capital, the author recommends turning expense management into a “rational obsession.” “Maintain focused attention on your income, spending and investments, without letting yourself become *emotionally* engaged,” he counsels. “The trick is to keep it an intellectual exercise, to give yourself the feeling of control, not increase your anxiety.” He cites a survey of senior citizens finding that their biggest regret was worrying too much.¹

Remember Inflation. Inflation, writes Professor Galloway, is “a rodent gnawing at the pillars of wealth, the rot in your foundation, a rising tide that never ebbs.” I tend to think of compounding with respect to the power of long-term investing. But *Algebra* has intensified my focus on the reality that inflation, too, compounds and should be considered when making financial life choices such as how much cash to hold.

In an introductory chapter entitled “Two Jackets and a Glove,” readers learn that the author comes by his approach to money through a difficult financial situation as a child. This somehow makes the lessons learned from the book all the more affecting and indelible.

Professor Galloway dedicates *The Algebra of Wealth* to his sons: “For Alec and Nolan. Please read this book, and take care of your old man.” And while *Algebra* is a great read for anyone—old or young, already set financially or just trying to survive—the book is particularly relevant for young people just starting to define their path toward wealth.

1. “The Most Surprising Regret of the Very Old—and How You Can Avoid It,” Karl A. Pillemer, PhD, *HuffPost*, April 4, 2013.



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