AN EXCERPT FROM

# MONEY RULE$

CHAPTER 6

## MICRO vs. MACRO

HARRY ABRAHAMSEN

# Introduction

Money Rules is not your typical book about money. It is an overarching mindset written for people who want to maintain massive wealth. When you know the rules of how money really works and the ideas and strategies within Money Rules, you will be able to build and protect your money, not just have momentary fortune.

The philosophies and approaches in this chapter are presented to you by Harry J. Abrahamsen, and while you may be able to implement many of them right away, they are not to be mistaken for direct advice. Money Rules empowers you to be the master of your own wealth—your advisors are just one piece. At this point, you have been introduced to one aspect of the macro mindset. Make sure to read the rest of Money Rules to move into mastery.

Written for Influential Individuals, Entrepreneurs, Business Owners, and Families with Money. Though I dare anyone to pick it up and read it now.

There are many books written for individuals who are seeking to build wealth, but when you reach the point of impressive success and multiple commas to your name, you may be reliant on your inner circle with your decisions about money. You feel you have control, but you are just a few mistakes away from sacrificing everything.

This book is written for you, and in it you will find out the things you are missing, no matter how diversified your portfolio is or what you think you know about money. When you know the rules of how your wealth really works and the ideas and strategies within, you will be able to build and protect it, not just have success for a moment.

**This book is not about what's right or what's wrong, it's about doing things the right way.**

RULE

# Rule: Massive wealth is about macro strategies.

## CHAPTER 6

# Micro vs. Macro

Now that you understand money is different than math, the way you spend and that you must plan accordingly, the realities about rates of return, and the things you might have to protect to survive, I will teach you the foundational principle of mastering your wealth. This is as much a tactic as it is a philosophy, and every rule stands on it and plays into it. It is the core of your wealth strategy: the rule of micros and macros.

In 2009, I took up the hobby of racing sailboats. My first foray was as a crew member on a J-29 sailboat. I was not raised around sailboats, and because sailing is such an involved and complex sport, I went out and bought some books and watched numerous videos about sailing and how to maneuver a boat. At some point I thought that I might sail around the world. With a bit of knowledge now attained, I purchased a Flying Scot sailboat and joined the Monmouth Yacht Club. I wanted to race, and I wanted it to be with my own sailboat. All the members of the yacht club were highly knowledgeable and experienced and generous enough to take me under their wing and show me the ropes. Before I knew it, I found myself sailing alongside Olympian Sarah Chin on the Navesink River. I was finally a sailor, albeit a neophyte, and it was time to enter some fleet races. Despite the steep learning curve, I made it successfully through the first year. Then, in a race in my second year, I was faced with a decision: to lose my position or to attempt to round my mark in front of another racer who had the right of way—the latter being the riskier move. There is a tactic called the Lee Bow Tack that if I got just right would allow me to beat the starboard tacking boat and round the mark first. I decided to place my bets on this and go all in for the win. As we approached each other, I realized that I would be forced to give way and would need to release my mainsail, but my hands slipped off the mainsheet line and I could not let it out. I t-boned the racer. There were no injuries apart from my pride, and the boats survived. But I was exposed to a very basic yet very memorable aspect of sailing: you must be prepared to adjust your strategy and your tactics to meet the real conditions of the moment. You must be ready for anything and willing to respond to it. I knew the basic rules of the boat and its parts, but the other sailors had mastered the relationship between the boat and the tides and the currents and the wind (and the position of the other sailors). Sailing is a macro sport, and I was making a micro move.

## The Micro-Macro Rule

Even if you did not go to business school, you'd have heard of microeconomics and macroeconomics. To refresh your memory: *microeconomics* is the study of individual factors in the market, while *macroeconomics* is the study of the global intersectionality of institutions, markets, and world economies—the way they work together within the bigger picture.

This rule applies a macroeconomics perspective to your personal wealth. This idea of *macro wealth planning* manages the individual "micros", or elements, within your finances as a whole, implementing them in a broader, wholisitc way. A macro wealth strategy looks at the big picture and considers all financial aspects and market influences. It is essentially going 40,000 feet into the air to look down at the state of your wealth. It equips you with the control and flexibility to make intelligent shifts in response to the winds of change and make infinite moves to maneuver through storms and still waters.

Financial micros include every individual person, product, and institution that address some part of your overall financial world. They are the gears in the clock, the troops on the ground, the sails and the winches. The micro approach to money within traditional financial strategies treats each of these items separately and implements a few individual items as the entire strategy. Taking the micro approach is essentially opening the sail without undocking the boat. Instead, the macro approach is about being the watchmaker who does not see just a gear or a hand, but a Patek Philippe. It is the five star general in the situation room. It is the sailor who knows more than I did. It is the grandmaster of chess.

The game of chess is played with 16 pieces per player: eight pawns, two knights, two bishops, two rooks, the queen, and the king. Grandmasters know how to move the different pieces in concert with each other. They adjust their strategy according to which pieces will need to be played beyond the current move. The relationship of the pieces to each other within their strategy and within the more unpredictable moments in the game is the heart of the win.

Grandmasters work to be experts of the game. They read books, they study other masters, and they practice endlessly, often by themselves. But their success is based on their understanding of the possibilities of each piece on the board and their ability to strategize a combination of movements of different pieces depending on different positions and movements from the other player. They play not for each move, or in service of a single piece by itself, but with the sophistication of a strategy that is always shifting but full in accordance with the rules and the greater intention for the game. Masters of their wealth do the same, putting their different micros to work, each according to its best qualities in a relationship with the other micros and in service of a greater strategy that is strong enough to depend on but agile enough to respond to challenges.

**Micros should serve each other, in service of the macro strategy.**

Most people stay micro, focusing on a single piece (such a power three investment). They abandon their financial pawns, forget their rooks, maybe incorporate a bishop for the sake of "diversification" but then treat it with arbitrary superiority and sacrifice other important pieces in its service. Imagine what kind of chess they'd be playing if they limited themselves to the queen or another high value piece, or if they only moved diagonally. There would be no game, and at best they'd be at a standstill looking at pieces being rapidly seized.

### The Challenge with Micros

Because we live in an ever-changing world, taking a traditional approach to your finances is a recipe for disaster. It's understandable—you are busy and do not have the time to research all areas of your finances, and you are constantly bombarded by all the financial institutions vying for your share of business with attractive pitches. And things keep evolving. The government is always making tax law changes, the cost of living keeps increasing due to inflation, and there are taxes, and the other wealth-eroding factors we covered. On top of that, the biggest institutions are driving messages to maintain their status as pillars of your strategy.

The problem with focusing in on a single micro—maybe your market investments or an advisor or institution—is that each micro behaves as if it is in a 1:1 relationship with you rather than being a piece in a multi-party strategy. It's as if the bishop worked in service of itself and didn't protect the king. Micros each believe they are the primary, most important piece on the board of your wealth. Maybe they play within your bigger strategy, but they follow specific rules that favor their own institution. Say you were able to move a pawn or a rook to the same square, but the rook was able to make you believe that it was the most important piece for that move. If you played it blindly, you might shrink your possibilities for the next moves and lose the game moments later. Each piece within your finances, each micro, wants to dominate the board in the moment. Micros may work in your favor, but only as much as they still preserve their power, and never for the benefit of another micro.

**Micro individuals have a blind spot when it comes to macro strategies.**

Micros hold unknowing biases, thinking that they are working in your best interests, but they apply traditional thinking and do not reach beyond what they know. They are colorblind when it comes to the spectrum of strategies: they don't see what they're unable to perceive. And they serve specific needs. (They definitely don't strategize for your wants.) Successful micro individuals are committed to their service and typically loyal to you...and to their institution. Sometimes they're so skilled at this that you believe you're the most important thing on their list. But even if this were true, micro advisors only serve your finances in the way they have been trained—typically by institutions. And institutions only care about the bottom line. Micros are individual, but they are not autonomous. You will find that when the same individual micro switches jobs and begins working for a different institution, they will work in a totally different manner. They're Odell Beckham Jr. switching from the Giants to the Browns to the Rams. They adopt different plays and approaches to the game because they're on a different team. They are subject to micro dynamics specific to their coach's (their institution's) style.

This is where chess—and macro strategies—differ from traditional micro-based financial strategies. In chess the pieces are played within a strategy that implements them all according to their best qualities and the ever-evolving possibilities, in service of the game. In micro-based finances, all the micros work for themselves and their institutions. Micros are different from bishops and pawns because micros talk, they try to convince, and they are subject to change when their situation changes. In chess, the pieces are stable and silent. They serve the game and the game alone. The challenge for you is to become the grandmaster of a game where the pieces talk back.

It's just as bad to avoid playing with an important micro, such as a reliable institution or a power one or two, as it is to become completely fixated on a single piece. Think about pawns for a moment. Pawns could be said to be on a suicide mission. They are destined to fall to the enemy first, but the game won't begin unless the pawn makes the first move. Yet you probably overlook your financial pawns and toss them aside without ever picking them up. Wouldn't you rather have a pawn sacrifice itself for the sake of the game, serving and protecting your most valuable pieces than have it simply sit on the sidelines untouched? Most people that think micro try to play their financial game without the pawns, favoring whatever pieces look the best or seem the most powerful, their financial rook or queen, maybe their power three investments. But without their sacrificial lambs, without their first line of defense, without the pieces that are built to bear the burden, they will never be able to properly position their important pieces, and they will certainly not be able to win. People that play with micro strategies stare at just a few pieces and probably don't even know what game they are playing—if they did, they would never leave their king unprotected, they'd never sacrifice a rook when they could have played a pawn. Not realizing that your finances must be handled with a macro strategy and mindset is like inviting multiple people who each favor one piece to play in your place. Masters of their money never leave the board to someone else. They never sacrifice their seat at the table.

**Micros don't think macro.**

Imagine your micros now as part of a different board—a personal "board of directors" for your wealth. Each member (financial micro) represents specific interests. In fact, you chose them to do this so that you'd have a strong and sophisticated structure. But it is your job to manage them—no single board member may take over the room. They should not assume more power than they were assigned. You have to shepherd all these board members so that they come together in service of their joint purpose—the betterment of your strategy. You must be the chairman of the board of your wealth.

Relying on people's opinions is a mistake because there are too many of them and they are specialized, self-interested, and siloed. They lack the big-picture perspective on your unique situation and secret desires. Your micros will never all be on the same page unless you put them there. They may have your best interests at heart, but they are specific to their sphere. Say you have a concern about how to handle your taxes. If you ask five different CPAs the same question, you'll have five different answers. The tax law may be the same, but there are many minds at work interpreting it to work within different strategies, and they each have different interests. There is no fixed solution, though they may try to convince you that they've got it. Micros are also typically hyper-focused. Lawyers can argue and interpret on your behalf, but they aren't going to help you figure out how to protect the state of your wealth when they are in the midst of defending you in a lawsuit. Perspectives are diverse, people are specialized, and you have to be discerning.

Finally, micros are trained traditional thinkers. You will rarely find a real estate agent at the top of their game that will take the time to suggest that you finance your daughter's Princeton tuition by taking out a mortgage on a home (a tactic I will share with you). And if they do, they don't have the infrastructure to implement that strategy for you—they won't manage anything but the buying and selling of the home. Typically, micros stick to what they know best and stay within their traditional sphere. But does tradition belong in finance? Does tradition apply to massive wealth?

When it comes to managing your micros, you do not have to be better or smarter than they are at what they do. You are not the bishop on the chessboard. You probably did not get a certification as a CPA. The fact is, though, you do not need to know or do everything that your micros have studied. You just need to know what it is that your micros are doing with your wealth and enough about the rules of money to determine who will be best for what job at which point in time. You have to figure out who is best for the job at hand and how to use them to the best of their ability—not how to do their job yourself.

So what about your money manager? Are they not the one responsible for the greater strategy? Are they not successful at what they're doing for you? The thing is, while managing assets is sexy, financial managers (even if they create an amazing portfolio for you) are micros, and their strategies are micro because they work within their sector. Their primary objective is to get a rate of return that justifies their presence on your financial board. Remember the problem of chasing rates of return? They're the fastest runners. Asset management is a market-based machine focused on growing assets and building the institution's book of business. Your money manager's goal will always be to build wealth in your portfolio, because it's what you have hired them to do, and because they receive a benefit from the size of your account. If your portfolio is down and you need money, do you think that they'll tell you to withdraw from your investments or from somewhere else? You might feel safe if your manager is a fiduciary. They have your best interests in mind, right? But they're required to keep your interests within their institution. They're not allowed to sell away, to send you elsewhere to serve your macro strategy. Sure, your money manager might be the best of the best and the most trustworthy, and they themselves might think they have your best interests at heart. But even if your brother is the one managing your money, he doesn't think macro. It's not what he's been trained in, and it's not his job. Being the grandmaster, being macro, is your job. You need to determine how to use this micro manager and when to play them versus a different piece. If not, you may find yourself checkmated.

**Being the master of your money involves being the advocate for your own interests.**

This is similar to when you have a health issue and visit a doctor. You do not know as much as the doctor. But you must push for the best treatment, you must remind them of your family history if they don't bring it up. You must decide if you need a second opinion, do some research on cutting-edge treatments and the best providers in the field. You cannot merely sit back and fully entrust yourself to the hands of every doctor. Surgeons have been known to take off the wrong limb or remove the wrong kidney. This doesn't mean that you can't put your trust in the doctor you choose for the service. You can go under the knife willingly with full faith, but you must do some investigation on your doctor, you have to remind them of things, and sometimes you have to follow up multiple times just to get an appointment. Financial micros such as your advisors or your CPA frequently know more about finance than you do, but they do not know more about *you* than you do, they do not know everything about every element of your finances, and they will never be as motivated to protect your way of life the way that you want when it is you who might be facing the light.

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### THE INTENTIONAL APPROACH TO CHOOSING AN ADVISOR

When you were picking your advisor, what were you looking for? Was it the lowest fees? Highest past performance? Say you compared Goldman Sachs, Fidelity, Northwestern Mutual Life, the trust department of J.P. Morgan Chase, and an independent company like mine. There wouldn't be bad portfolios with any of these places, and if you tried to figure out the "best" or most price-efficient, you'd drive yourself insane. Just as money doesn't behave like math, there is no science when it comes to picking an advisor. What matters is finding the person who you feel will be the best for your family situation. Whoever you pick should be willing to work with your macro mindset rather than being devoted to one power. And when you're working with a few micro advisors you must always remain the "chairman" in the room.

Advisors that pitch themselves with things such as lower fees and higher past "performance" will die by their own sword. Their measurements aren't really reliable—there is no way to predict the markets, black swans, the tax laws of the future. When someone truly understands what your family needs, though, they will be able to support you as you weather the tides, building substantial wealth that is stable, whatever you experience.

You must be mindful of your advisor's standing in the field and their expertise, but at the end of the day, this is a decision that must be based on instinct. In 1957, when Warren Buffet was just starting out, he approached the Davises, a wealthy family in Omaha. They would be the most important client for him yet, outside of his family. He wasn't yet 30, he was awkward, and he was inexperienced compared to the family's other options. But after they talked back and forth for a long time, Mrs. Davis said, "I like everything about this man." Though she didn't know who Warren Buffet would become, Mrs. Davis knew he was right for them.

What was the deciding factor when you picked your advisor? Did you decide based on the numbers alone? Or did you take the Davises' approach? While this more instinctual method might not be scientific, it's the most important way to evaluate what the state of your wealth will be in the end.

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The New York Giants were founded by Tim Mara in 1925, and after his death, the team passed to his family, including his son Wellington Mara and various co-owners. The family didn't want a repeat of the Robbies' dilemma with Dolphins, and to mitigate this, Wellington's son John Mara tried to prepare for the impending estate tax that would occur at the time of Wellington's death. This included a series of micro maneuvers like splitting up the shares across family members and setting up various trusts. But when Wellington's time came, these strategies didn't succeed in protecting the team, and the Maras were forced to sell half to Robert Tisch. At the time, Tisch said, "We wanted to keep it in the family." But what family is that? The Tisches own half the team, the Maras are sharing their seat at the table. Did the Maras do the most with what they knew at the time? Maybe. It wasn't the right macro strategy, though, and it didn't result in the kind of ownership that Tim Mara imagined. It remains to be seen how the Tisches do.

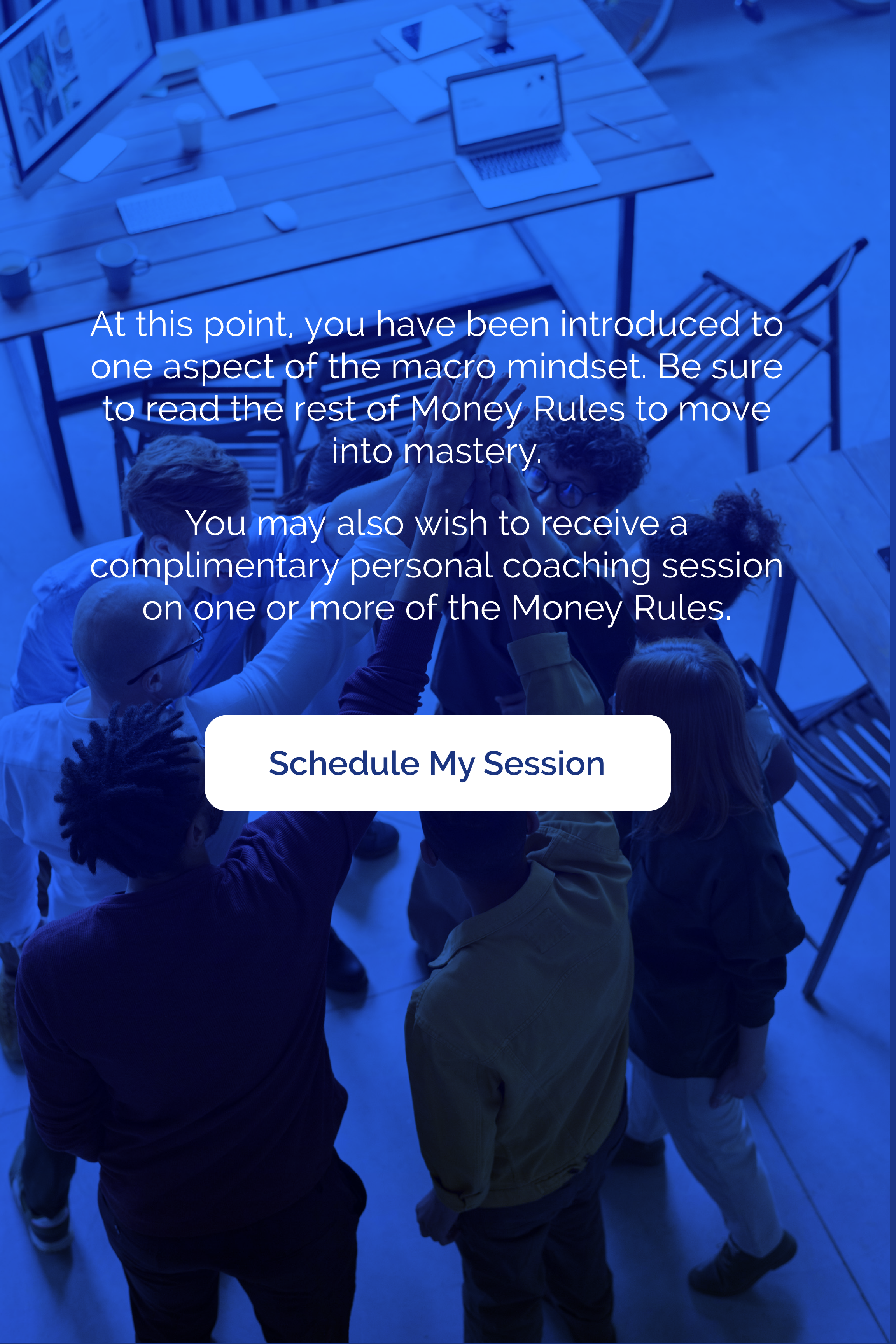
Being macro starts with thinking macro. You have to think about the institutions and people that are currently managing or holding your money and what that means. You have to think about the environmental factors, such as the state of the world and the markets and anticipate how things might shift to the best of your ability. You must always be on the watch for taxes, inflation, market risk, new laws, changes to laws, new products, new ideas, and new technologies. There is a current beneath that you do not want to ignore, and it may move you way off course if you're not reacting to it. When you forget to check in, your money will erode or head in a direction you have not decided for it—just as my boat t-boned the racer when my hands slipped off the mainsheet line.

Being macro is not about *what* you purchase or invest in, but *how* you purchase and invest. We all pay taxes, we all buy things, but how you pay and how you buy is the difference between success and massive success. Being macro is about adjusting the sails, the weight of the boat, the crew, and the exact direction you choose. It's about staying in the wind. It's about tacking back and forth, moving towards your destination, until you cross the finish line.

When you begin to do this, you will first discover that there are a lot of conflicting dynamics within your finances. It's very important to sort these out because your future is the sacrifice in the middle of whatever war is secretly happening. You must be Indiana Jones with your finances—there are multiple forces at work, and you must figure out who is who, what tool you need for the job, what direction you're going, and get the right thing into the right hands, while avoiding traps that are not obvious to the untrained eye. You must become Jason Bourne, always a step ahead of the threat. Do you have to be as skilled as this right off the bat? No. But you must begin to think this. Once you have assumed this perspective, the more knowledge you gain—about the circumstances, the forces surrounding you, and the rules of the game—the better, faster, stronger, and wealthier you will be. It starts with the master's mindset.

This book is teaching you the framework to think like Indy, like Bourne, like the grandmaster. You will learn specific tactics that you can bring to the table when you create your strategies. Once you know the rules of money and think macro, the information you get from here on out in this book, in the next book you read, in the next change you see in the market, will sharpen your skills and instincts and improve your strategies. You must start by knowing how to think.

In the same way that you are always living in a want world, whether you like it or not, there is always a macro perspective to your financial engine. Masters of their wealth understand the importance of the macro perspective, and they build a strategy across the board, shifting based on unexpected moves and variables. If you adopt a traditional planning approach with a focus on micros, it will cap your wealth potential and box in your money tree. You will only be able to win at the games you set up for and within each micro. How far will those small wins take you compared to how far you would have gotten if you'd stayed seated at the table?



At this point, you have been introduced to one aspect of the macro mindset. Be sure to read the rest of Money Rules to move into mastery.

You may also wish to receive a complimentary personal coaching session on one or more of the Money Rules.

**Schedule My Session**

WRITTEN FOR INFLUENTIAL INDIVIDUALS, ENTREPRENEURS, BUSINESS OWNERS, AND FAMILIES WITH MONEY

**9 RULES TO MASSIVE WEALTH**

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**HARRY ABRAHAMSEN**