The Five Laws of Gold

Exactly 100 years ago, George Clason published a book, The Richest Man in Babylon, that is still in print today. It's a classic personal finance book.

The book is a series of parables told by a fictional Babylonian character called Arkad. Buried inside Clason's famous parables are what he terms *"the five laws of Gold"*, with a focus on protecting and investing wealth. The Five Laws do not tell you how to get rich quickly. They tell you why most people stay poor and what the rare few do differently.

Here is a summary of his five "laws".

Law 1: *"Gold comes gladly and in increasing quantity to any man who will put by not less than one tenth of his earnings to create an estate for his future and that of his family."*

This was one of his foundational concepts, which at the time was perhaps quite novel. Set aside at least 10 % of your earnings for saving and investment.

Law 2: *"Gold labours diligently and contentedly for the wise owner who finds for it profitable employment, multiplying even as the flocks of the field."*

This agricultural metaphor of flocks compounding under the right conditions, is brilliant. Compounding of investment returns over time is core to successful investing.

Law 3: *"Gold clings to the protection of the cautious owner who invests it under the advice of men wise in its handling."*

This speaks to the importance of performing due diligence, and seeking wise counsel. Never think that these steps are a waste of time.

Law 4: *"Gold slips away from the man who invests it in businesses or purposes with which he is not familiar or which are not approved by those skilled in its keep."*

Quite simply have a very good understanding of what you are investing in. The additional requirement is have a genuinely skilled adviser approve it. This will protect against one of the greatest enemies of wealth creation - the fear of missing out.

Law 5: *"Gold flees the man who would force it to impossible earnings or who followeth the alluring advice of tricksters and schemers or who trusts it to his own inexperience and romantic desires in investment."*

Don't fall for the allure of *"too good to be true returns", "investment schemes",* and emotional stories designed to part you with your wealth.

Read together, the Five Laws describe an investment philosophy built on the virtues of **discipline, patience, discernment and humility**. The person who masters all five does not need a high income, luck, or a booming stock market. They need time and the wisdom not to get in their own way. These simple yet effective "Five Laws" have not changed in a hundred years.

Ian de Lange *CA(SA)*

Chief Investment Officer

If you have any questions, Ian and our team would love to hear from you on investmentteam@seedinvestments.co.za.