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Why Optimists Make More Money Than Pessimists

🕒 June 6, 2018 👤 Gerri Detweiler 📄 0 Comment

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What qualities come to mind when you think of those who build great amounts of wealth? Disciplined, hard-working, smart—perhaps even a bit ruthless?

You may be surprised to learn that there is another trait that may help you build wealth: optimism. Tom Corley devoted several years to studying the habits of the rich versus the poor, which he has shared in his best-selling book *Rich Habits: The Daily Habits of Successful Individuals* (<http://richhabits.net/rich-habits-books/>). Among the many habits he studied, he found the rich were more likely to be optimistic.



“Sixty-seven percent of the self-made millionaires in my study forged the habit of being positive and upbeat. A positive, mental outlook is critical to overcoming problems, obstacles, pitfalls, mistakes and failures,” he says. “Staying positive is a critical component to becoming wealthy. Positivity is like a radar in search of solutions to problems. Thus, positive thinkers are able to see solutions, where negative people see only problems,” he adds.



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He points to a study undertaken in the 1980s for MetLife. The financial services firm wanted to reduce the high costs of training salespeople who would later quit by identifying those who were more likely to be successful. It hired Martin Seligman, psychologist at the University of Pennsylvania, who is known as the “father of positive psychology.” Seligman tracked 15,000 people who took the company’s standard screening test as well as a test he developed to measure optimism.

A case study

(https://docs.wixstatic.com/ugd/f2f71f_50d2db77420a4ea191c4f87f5d03fc32.pdf) published by consulting firm True Colors PEOPLE Solutions summarizes the research this way:

“Consultants who scored in the top half for optimism sold 37 per cent more insurance over two years than those in the pessimistic bottom half (and) consultants who scored in the top 10 per cent for optimism sold 88 per cent more than those ranked in the most pessimistic 10 per cent.” It goes on to note that when Seligman studied optimism scores of sales people in a variety of industries, the overall results were similar: “optimists outsold pessimists by 20 to 40%.”

Since starting a business requires sales savvy and the ability to see solutions where others see problems, it’s logical that optimism and entrepreneurship may go hand in hand.

“Our general perspective is that it is the unrealistically optimistic who, through self selection, will dominate the entrepreneurial class and from this follows many of the features associated with small-business and their access to credit,” write Drs. David de Meza and Clive Southey in The Economic Journal (http://www.jstor.org/stable/2235253?seq=1#page_scan_tab_contents). “Those seeking to become entrepreneurs must be imbued with what Adam Smith termed ‘The contempt of risk and the presumptuous hope of success’.”

That doesn’t mean there is no place for pessimism if you want to start a business or build wealth. Professor John A. Davis, who studies family businesses, writes that optimists may be critical to entrepreneurial growth. “Pessimists can make good operational leaders,” he writes in

an article for Harvard Business School (<https://hbswk.hbs.edu/item/managing-the-family-business-are-optimists-or-pessimists-better-leaders>). “But pessimists in the corner office or leading the family (business) are less likely to foster a culture of growth, risk taking, and wealth creation.”

Boost Your Chances of Success

Stanford University offers a free assessment (<https://web.stanford.edu/class/msande271/onlinetools/LearnedOpt.html>) of how optimistic or pessimistic you are, adapted from Martin Seligman’s book, *Learned Optimism*. It’s a great place to start.

Among Seligman’s findings: pessimists assume failure is persistent, while optimists believe it’s temporary. Pessimists believe that failure in one area of life means failure in other areas while optimists compartmentalize them. It’s easy to see how those outlooks could make a material difference in one’s future.

In her Ted Talk (https://www.ted.com/talks/tali_sharot_the_optimism_bias) about the “optimism bias”— the likelihood to think that bad things are less likely to happen to us— Tali Sharot says that “Controlled experiments have shown that optimism is not only related to success, it leads to success.” Sharot, an associate professor of cognitive neuroscience in the department of Experimental Psychology at University College London, has run experiments on whether the optimism bias can be changed—not because optimism is bad, but because “unrealistic optimism” can result in bad decision making. It can be changed, she asserts, and “the key is knowledge.”

As the title of his book implies, Seligman agrees. He believes you can learn to be more optimistic and his book is filled with strategies. If you want to build wealth, developing wealth-building habits as Corley suggests and cultivating optimism may go hand in hand with earning money or growing your business.

“Intelligence, creativity and curiosity push us to learn, solve problems and explore,” says Corley. “These traits, when put to use, make us feel happy and alive.” And they may just help individuals, including entrepreneurs, build businesses and build wealth.

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About the Author – Gerri serves as Head of Market Education for Nav, which provides business owners with simple tools to build business credit and access to lending options based on their credit scores and needs. She develops educational programs and content for small business owners, and works on advocacy initiatives. A prolific writer, her articles have been featured on popular websites such as Yahoo!, MSN Money, ABCNews.com, CBSNews.com, NBCNews.com, Forbes, The Today Show website and many others.

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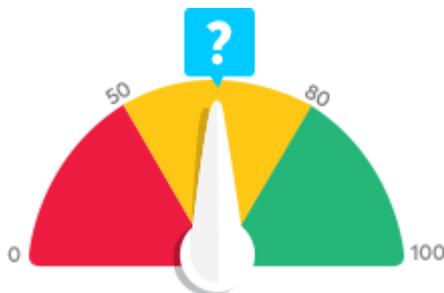
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