Who Wants to Be a Billionaire?

December 2, 2019

I have some exciting news for you, dear readers: thanks to Greg Zuckerman’s newest book, The Man Who Solved the Market, we finally know what it takes to beat the market by 1000x and earn billions of dollars along the way! The book tells the story of how Jim Simons, an acclaimed mathematician and government code-breaker, built Renaissance Technologies, harnessed the power of quantitative/algorithmic trading, and became the most successful hedge fund titan in history. Thanks to Zuckerman’s investigative work, I am here to present you with a step-by-step guide to crushing the markets and becoming successful beyond your wildest dreams. So, who wants to be a billionaire?!

Step 1: Win the gene pool lottery. You have to be wicked smart, of course – smart enough to study at top-tier academic institutions and win prestigious awards in mathematics and science. Other requirements include loving a good intellectual challenge, spending most of your free time contemplating hard problems, and thinking about the world in unconventional ways.

Step 2: Get to know other smart people. I don’t mean above-average smart, I mean really smart. Jim Simons spent his pre-Renaissance days rubbing shoulders with fellow PhDs and running one of the top university math departments in the country, which seems like a pretty good way to meet and gain influence with other geniuses. Of course, if you can find a better way, go for it!

Step 3: Learn to identify and manage top talent. Not only did Simons work with some of the smartest folks around, he also had a knack for pinpointing the high fliers – the ones with the most potential – and putting them in a position to flourish. In other words, he was smart and discerning and good with people. After all, without the all-star team he built, shaped, and grew over the years, Renaissance would not have achieved its stellar results. Go with the smartest, strongest, most tenacious candidates, and learn to manage their personalities and egos.

Step 4: Gather ALL the data. Simons and his team spent years and years painstakingly gathering all the market data they could find – and mathematically modeling the data they couldn’t find – in order to gain a competitive advantage and make the most informed decisions possible. Today, their computer servers sift through terabytes of data every single day. In this age of Big Data, you’ve got to have the biggest, best data around.

Step 5: Find patterns where no one else can. Once you’ve gathered the data, the next step is to discover patterns and nonrandom anomalies that no one else can recognize. Think of it as finding a needle in a haystack, only the needle is constantly moving around and the haystack has trillions of pieces of hay.

Step 6: Figure out how to predict the future. Jim Simons might not be clairvoyant, but you don’t achieve average annual returns of 66% for 30 years without knowing (or having a reasonable degree of certainty about) where markets are headed, if only in the very short term. Yes, you need to recognize patterns, but you also need predictive models and algorithms that can anticipate market moves and trade accordingly.

Step 7: Keep it secret, keep it safe. Competition on Wall Street is fierce, and success breeds copycats. Renaissance Technologies isn’t the only quantitative hedge fund managing billions of dollars, they just happen to be the best. In order to maintain their edge, they keep their intellectual property tightly under wraps. You’ll probably have to hire hundreds of people over the years, so make sure they don’t share the ingredients of your secret sauce.
**Step 8: Get lucky, stay lucky.** Even if you were lucky enough to get past Step 1, and all the successive steps after that, you’re still going to need a lot of luck to sustain your success — no matter how much luck and volatility you’re able to mitigate with your state-of-the-art trading algorithms. For every Renaissance Technologies success story, there are a few cautionary tales (à la Long-Term Capital Management) that didn’t end so well. Stay lucky, my friends.

So there you have it, the "Simons Says" recipe for success. I hope it helps! However, if you just can't seem to get past Step 1, feel free to reach out. There are other, more modest ways to accumulate wealth in the markets, which I’d be happy to talk about.

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