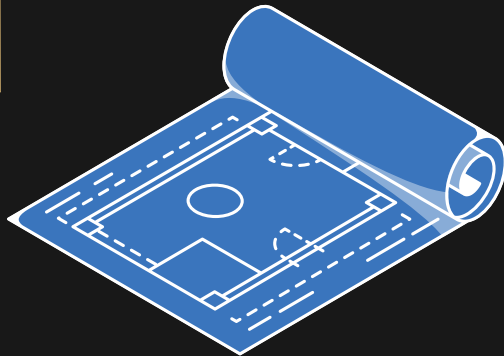
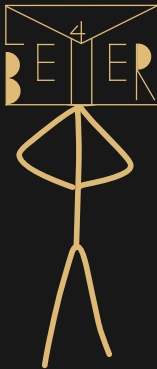




MENTAL MODELS EBOOK

AN ILLUSTRATED
BLUEPRINT TO BETTER
DECISION-MAKING



By Letter for Better

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ANCHORING

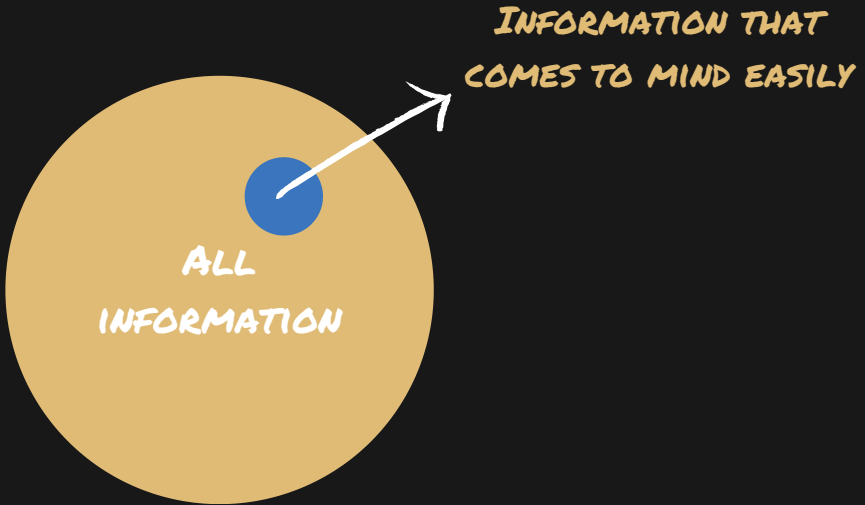


Description: Anchoring is the reliance on the first piece of information encountered when making decisions. This principle helps you understand how initial information can disproportionately influence your thinking. It's beneficial because it encourages more critical evaluation of all available information.

Real-World Example: Being influenced by the first price quoted for a product, affecting your perception of its value.

How You Can Apply It: Be aware of the initial information you receive and ensure you consider a range of data points before making a decision.

AVAILABILITY HEURISTIC



Description: The Availability Heuristic is estimating the likelihood of events based on their availability in memory. This principle helps you understand how recent or vivid experiences can distort your perception of reality. It's beneficial because it promotes more accurate risk assessment and decision-making.

Real-World Example: Overestimating the danger of flying after hearing about a plane crash, despite its statistical rarity.

How You Can Apply It: Evaluate risks and decisions based on objective data rather than recent or emotionally charged experiences.

BAYESIAN THINKING



Description: Bayesian Thinking involves updating your beliefs based on new evidence and adjusting your understanding accordingly. This principle promotes continuous learning and adaptation. It's beneficial because it leads to more accurate and flexible thinking.

Real-World Example: Revising your opinion on a dietary supplement after reading new scientific research.

How You Can Apply It: Regularly seek out new information and be willing to adjust your beliefs and decisions based on this updated knowledge.

CIRCLE OF COMPETENCE



I KNOW THIS

I DON'T KNOW THIS

Description: The Circle of Competence involves understanding and operating within areas where you have expertise and knowledge. This principle encourages focusing on strengths and seeking help in areas outside your competence. It's beneficial because it leads to better decision-making and efficiency.

Real-World Example: Warren Buffett attributes his investment success to staying within his circle of competence, investing only in businesses he understands well.

How You Can Apply It: Identify your strengths and focus your efforts on those areas, seeking assistance or education for areas outside your expertise to improve overall performance.

COGNITIVE DISSONANCE

CANDY IS UNHEALTHY,
BUT DELICIOUS

VEGETABLES ARE HEALTHY,
BUT DISGUSTING

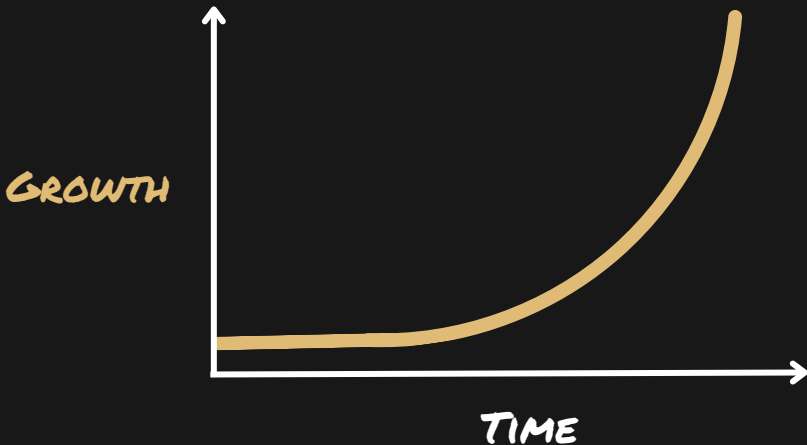


Description: Cognitive Dissonance is the mental discomfort experienced when holding two or more contradictory beliefs, values, or ideas. This principle helps you understand the challenges of conflicting information and beliefs. It's beneficial because it promotes self-awareness and the resolution of internal conflicts.

Real-World Example: Feeling uneasy about eating unhealthy food while knowing it's bad for your health.

How You Can Apply It: Recognize and address conflicting beliefs or behaviors in your life, striving for consistency and alignment with your values and goals.

COMPOUND INTEREST



Description: Compound Interest is the process where the value of an investment grows exponentially over time due to interest being earned on both the initial principal and accumulated interest. This principle helps you understand the power of long-term investment and growth. It's beneficial because it promotes the importance of patience and consistent effort.

Real-World Example: Investing a small amount regularly in a retirement fund and watching it grow significantly over decades.

How You Can Apply It: Start investing or saving early and consistently to take advantage of compound interest and achieve long-term financial growth.

CONFIRMATION BIAS

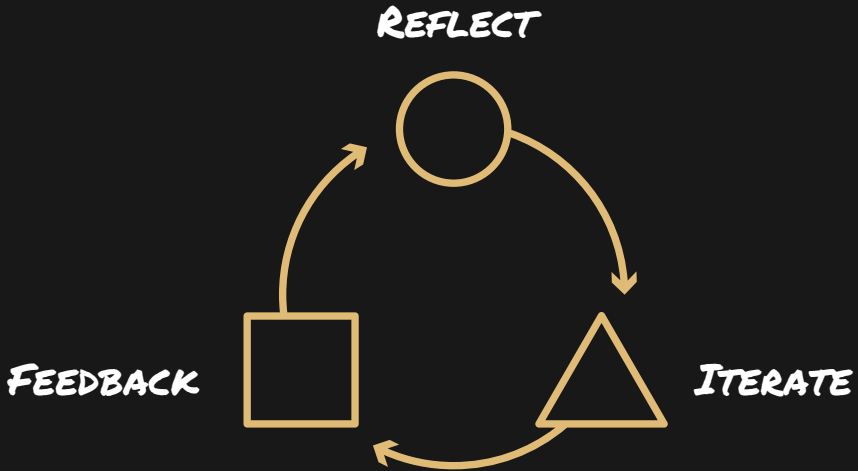


Description: Confirmation Bias is the tendency to search for, interpret, and remember information that confirms preexisting beliefs. This principle helps you recognize the influence of biases on your thinking. It's beneficial because it promotes more objective and balanced decision-making.

Real-World Example: Only reading news sources that align with your political views, reinforcing your existing opinions.

How You Can Apply It: Actively seek out diverse perspectives and information that challenges your beliefs to ensure a more well-rounded understanding.

FEEDBACK LOOPS



Description: Feedback Loops are processes where outputs of a system are circled back and used as inputs. This principle helps you understand the cyclical nature of processes and the importance of feedback. It's beneficial because it promotes continuous improvement and adaptation.

Real-World Example: Customer feedback being used to improve a product, leading to better customer satisfaction and further positive feedback.

How You Can Apply It: Seek and use feedback in your personal and professional life to continually improve and adapt your strategies and actions.

FIRST PRINCIPLES THINKING



Description: First Principles Thinking involves breaking down complex problems into their most fundamental elements and then reassembling them from the ground up. This approach helps you understand the basic components and assumptions of a problem, allowing for innovative solutions. It's beneficial because it encourages critical thinking and avoids reliance on existing paradigms or conventional wisdom.

Real-World Example: Elon Musk used first principles thinking to revolutionize the space industry with SpaceX, reducing the cost of space travel by rethinking rocket design from the ground up.

How You Can Apply It: Identify a challenge in your life, break it down to its core components, and rethink solutions from these basic principles, allowing you to find more effective and creative approaches.

GAMBLER'S FALLACY



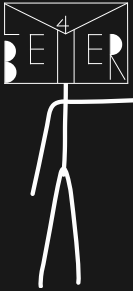
Description: The Gambler's Fallacy is the belief that past events affect the probability of future events in random sequences. This principle helps you understand the independence of random events. It's beneficial because it promotes more rational decision-making in uncertain situations.

Real-World Example: Believing that a coin toss is more likely to land on heads after several consecutive tails.

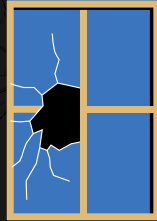
How You Can Apply It: Recognize that random events are independent of each other and avoid making decisions based on perceived patterns in random sequences.

HANLON'S RAZOR

**DID YOU DO THIS ON
PURPOSE?**



**NO, I WAS JUST
CARELESS**

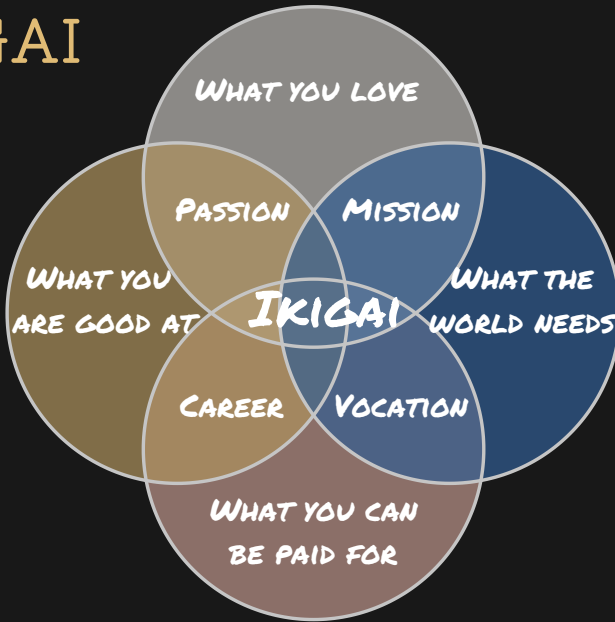


Description: Hanlon's Razor advises not to attribute to malice what can be adequately explained by ignorance or incompetence. This principle helps you avoid unnecessary conflict and misunderstandings. It's beneficial because it promotes empathy and patience in interactions with others.

Real-World Example: Assuming a coworker missed a deadline due to being overwhelmed with work rather than deliberately sabotaging the project.

How You Can Apply It: When faced with negative behavior, consider ignorance or mistake before assuming ill intent, fostering better relationships and reducing stress.

IKIGAI



Description: Ikigai is a Japanese concept that means "a reason for being" and is found at the intersection of what you love, what you are good at, what the world needs, and what you can be paid for. This principle helps you discover your purpose and align your life with it. It's beneficial because it promotes fulfillment, motivation, and a sense of meaning in your daily activities.

Real-World Example: A person who loves teaching, is skilled at it, finds it needed in the community, and earns a living from it, experiences a deep sense of satisfaction and purpose.

How You Can Apply It: Reflect on your passions, strengths, societal needs, and potential career paths to find your ikigai, and strive to align your personal and professional life with it.

INVERSION THINKING

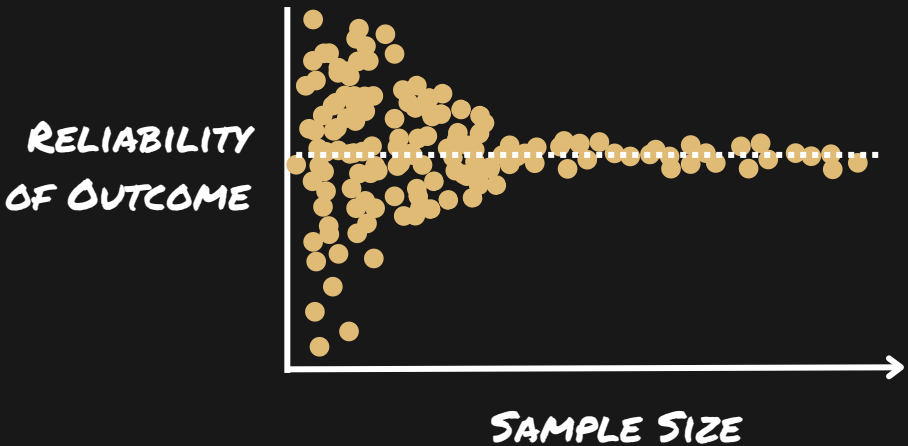


Description: Inversion involves thinking about what you want to avoid or what could go wrong to achieve your goals. By focusing on negative outcomes, you can identify potential obstacles and prevent them. It's beneficial because it helps you create more robust plans by anticipating and mitigating risks.

Real-World Example: Instead of asking, "How can I be successful?" ask, "What could cause me to fail?" and then address those factors.

How You Can Apply It: Apply inversion by identifying potential pitfalls in your goals and creating strategies to avoid or mitigate them, ensuring a smoother path to success.

LAW OF LARGE NUMBERS

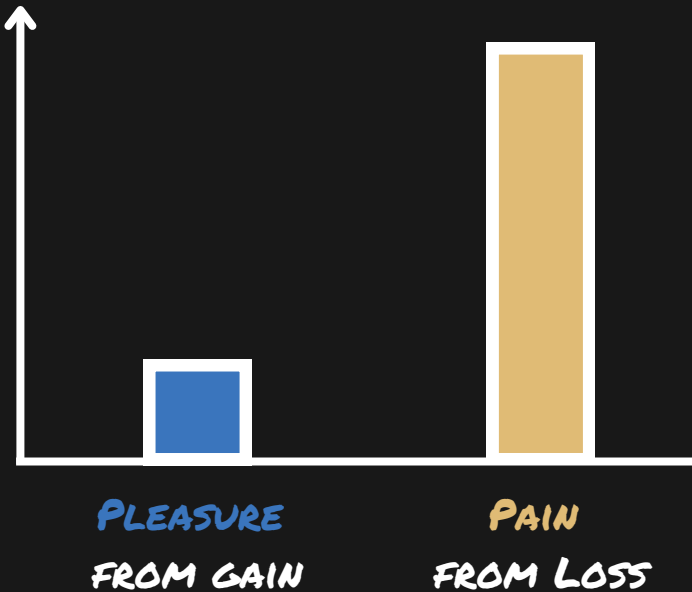


Description: The Law of Large Numbers states that the larger the sample size, the closer the average result will be to the expected value. This principle helps you understand the importance of sufficient data for accurate predictions. It's beneficial because it promotes more reliable and valid conclusions.

Real-World Example: Predicting election outcomes with greater accuracy based on a larger sample of poll data.

How You Can Apply It: Ensure you have a sufficiently large sample size when making predictions or drawing conclusions to improve accuracy and reliability.

LOSS AVERSION

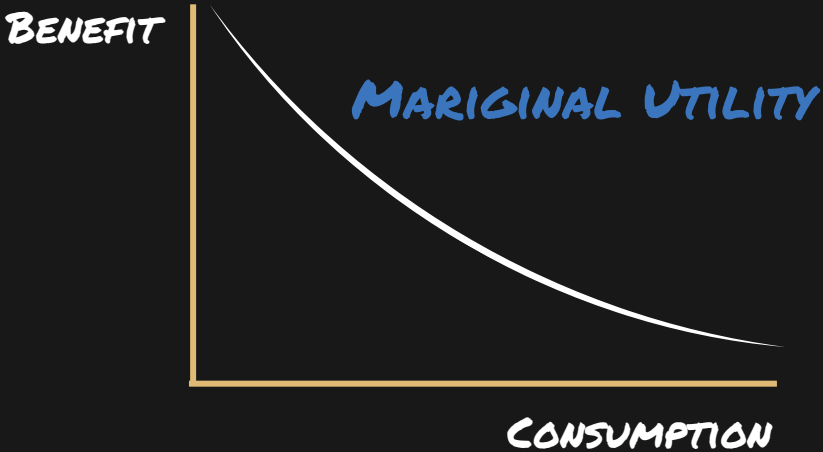


Description: Loss Aversion is the tendency to prefer avoiding losses over acquiring equivalent gains. This principle helps you understand the disproportionate impact of losses on your decision-making. It's beneficial because it encourages a more balanced approach to risk and reward.

Real-World Example: Holding onto a failing investment longer than you should because you don't want to realize the loss.

How You Can Apply It: Recognize the influence of loss aversion on your decisions and strive to evaluate risks and rewards more objectively.

MARGINAL UTILITY

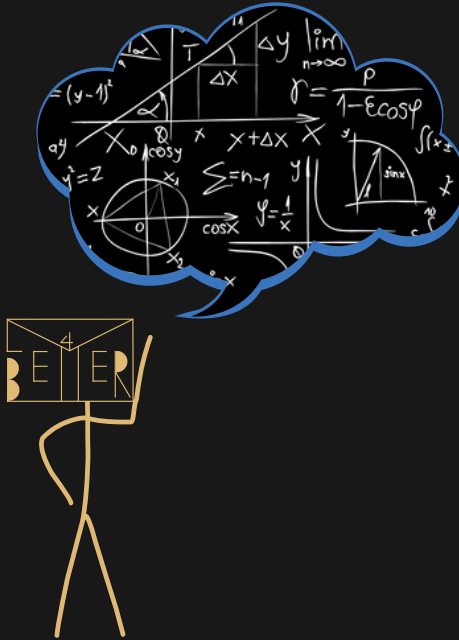


Description: Marginal Utility refers to the additional satisfaction or benefit received from consuming one more unit of a good or service. This principle helps you understand diminishing returns and make better consumption choices. It's beneficial because it promotes more rational and satisfying decision-making.

Real-World Example: Enjoying the first slice of pizza more than the fourth or fifth slice.

How You Can Apply It: Be mindful of diminishing returns in your activities and consumption, focusing on maximizing overall satisfaction rather than excessive indulgence.

MENTAL ACCOUNTING



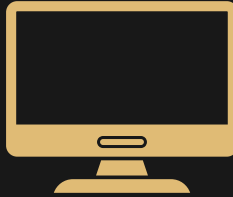
Description: Mental Accounting refers to the tendency to categorize and treat money differently based on its origin, purpose, or intended use. This principle helps you understand your financial behavior and make more rational economic decisions. It's beneficial because it promotes better financial management and awareness.

Real-World Example: Treating a tax refund differently from regular income and spending it more frivolously.

How You Can Apply It: Be aware of how you categorize and treat money, and strive to make financial decisions based on overall financial goals rather than arbitrary distinctions.

OCCAM'S RAZOR

MY COMPUTER
WON'T TURN ON



IT'S NOT
PLUGGED IN



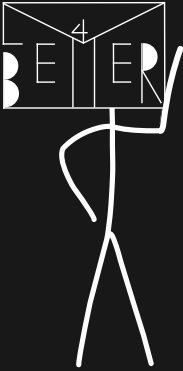
Description: Occam's Razor suggests that the simplest solution is often the best. This principle encourages eliminating unnecessary complexities and focusing on the most straightforward approach. It's beneficial because it reduces the likelihood of errors and makes problem-solving more efficient.

Real-World Example: When diagnosing a technical issue, a technician first checks the simplest possible causes, like loose connections or power issues.

How You Can Apply It: Simplify your problem-solving process by focusing on the most straightforward explanations and solutions first, avoiding overcomplication.

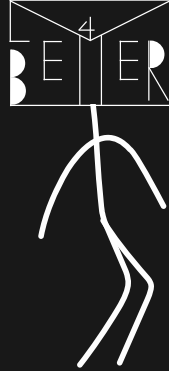
OPPORTUNITY COST

OPPORTUNITY



VS

COST

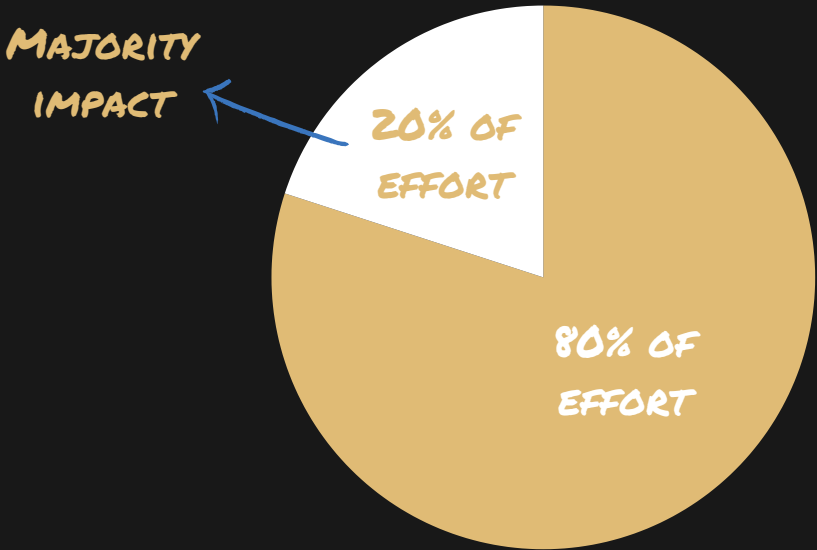


Description: Opportunity Cost is the cost of forgoing the next best alternative when making a decision. This principle helps you evaluate the true cost of your choices by considering what you are giving up. It's beneficial because it leads to more informed and efficient decision-making.

Real-World Example: Choosing to spend time watching TV instead of working on a side project that could advance your career.

How You Can Apply It: Consider what you are sacrificing when making decisions, ensuring you are choosing the option that provides the greatest overall benefit.

PARETO PRINCIPLE

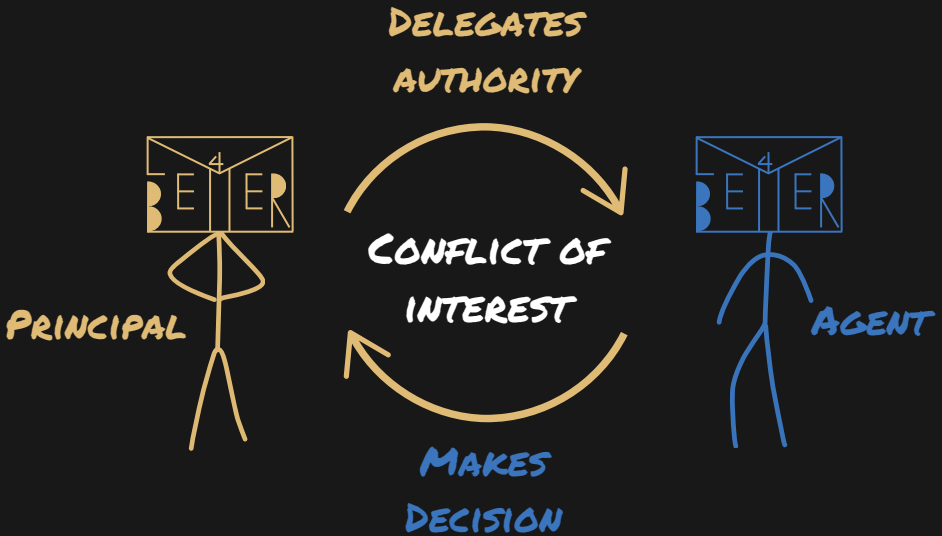


Description: The Pareto Principle states that 80% of the effects come from 20% of the causes. This principle helps you identify the most impactful factors in any situation. It's beneficial because it promotes focused effort on the most significant elements.

Real-World Example: 80% of a company's sales come from 20% of its customers.

How You Can Apply It: Identify the key activities or factors that produce the most significant results in your life and focus your efforts on those areas for maximum impact.

PRINCIPAL-AGENT PROBLEM



Description: The Principal-Agent Problem is a situation where an agent (employee) makes decisions on behalf of a principal (employer) that are contrary to the principal's best interests. This principle helps you understand the challenges of aligning incentives between different parties. It's beneficial because it promotes better alignment of goals and incentives.

Real-World Example: A manager focusing on short-term gains to earn a bonus, while the company needs long-term growth.

How You Can Apply It: Ensure that your goals and incentives are aligned with those of the people you work with, fostering cooperation and mutual benefit.

PRISONER'S DILEMMA

	COLLABORATE	COMPETE
COLLABORATE	BENEFIT	COMPETE
COMPETE	COMPETE	COMPETE

Description: The Prisoner's Dilemma is a situation in which individuals acting in their own self-interest produce a worse outcome than if they had cooperated. This principle helps you understand the benefits of cooperation over competition. It's beneficial because it promotes collaborative and mutually beneficial decision-making.

Real-World Example: Two companies in the same market choosing to collaborate on a project instead of competing, leading to shared benefits.

How You Can Apply It: Look for opportunities to collaborate with others, understanding that cooperation can lead to better outcomes for all parties involved.

RECIPROCITY

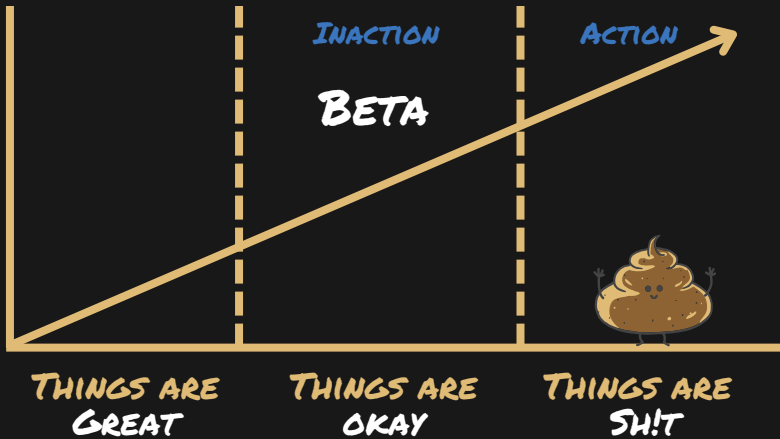


Description: Reciprocity is responding to a positive action with another positive action. This principle helps you build and maintain mutually beneficial relationships. It's beneficial because it fosters cooperation and goodwill.

Real-World Example: Receiving a gift and feeling compelled to give something in return.

How You Can Apply It: Cultivate positive interactions by being generous and helpful, creating a cycle of goodwill in your relationships.

REGION-BETA PARADOX

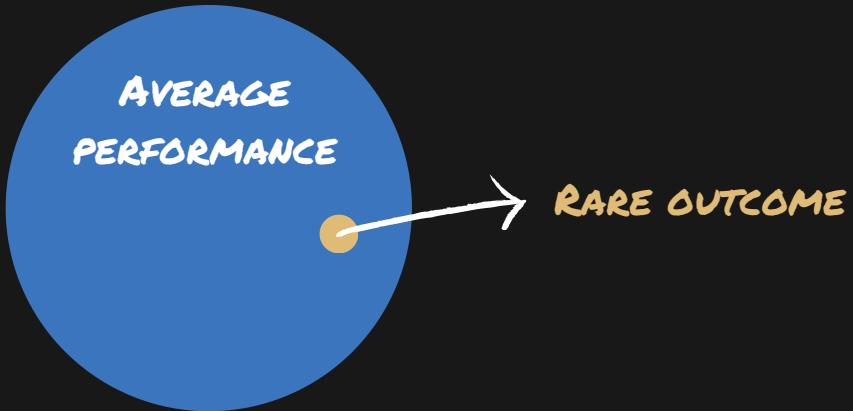


Description: The Region-Beta Paradox explains how we often respond more effectively to significant challenges than to mild discomfort. When a situation becomes unbearable, it pushes us to act decisively, whereas a tolerable but unsatisfying state can lead to prolonged stagnation. This paradox highlights the dangers of comfortable complacency and the potential benefits of embracing discomfort as a catalyst for growth.

Real-World Example: Imagine losing a job you loved. The initial shock forces you to actively network, learn new skills, and explore exciting opportunities—potentially leading to a better career. In contrast, staying in a mediocre role might leave you stuck for years, lacking motivation to seek better options.

How You Can Apply It: Reframe discomfort as an opportunity to reassess your path. Recognize when "good enough" is holding you back, and allow challenges to inspire meaningful action. Sometimes, the bigger the shake-up, the greater the growth.

REGRESSION TO THE MEAN

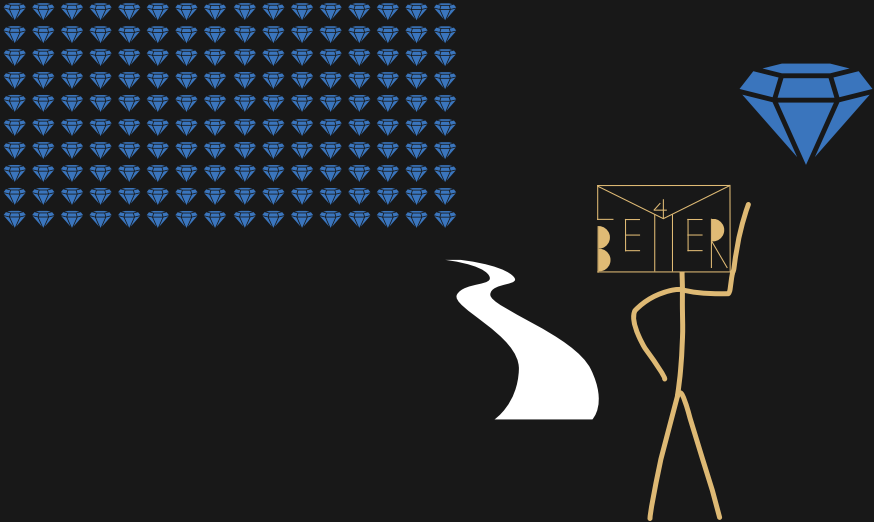


Description: Regression to the Mean is the phenomenon where extreme results are likely to be followed by more moderate ones. This principle helps you understand the tendency of outliers to move closer to the average over time. It's beneficial because it encourages realistic expectations and reduces overreaction to extreme outcomes.

Real-World Example: An athlete having an extraordinary performance one game is likely to perform closer to their average in subsequent games.

How You Can Apply It: Maintain realistic expectations and avoid overreacting to extreme successes or failures, understanding they are likely to balance out over time.

SCARCITY



Description: Scarcity is assigning more value to things that are less available. This principle helps you understand how perceived rarity influences your decisions. It's beneficial because it promotes awareness of how scarcity can distort value perceptions.

Real-World Example: Feeling more inclined to buy a product when it's labeled as "limited edition."

How You Can Apply It: Be aware of how scarcity influences your decisions and evaluate the true value of items based on your needs and preferences, not just their availability.

SECOND-ORDER THINKING

DECISION



CONSEQUENCE

Description: Second-Order Thinking requires considering the long-term consequences of decisions, not just the immediate outcomes. This mindset helps you anticipate future scenarios and avoid unintended negative consequences. It's beneficial because it leads to more sustainable and well-thought-out decisions.

Real-World Example: A company implementing a new policy considers not only the immediate benefits but also how it will impact employee morale and productivity in the long run.

How You Can Apply It: When making decisions, think about the potential ripple effects and long-term outcomes to ensure you are making the best choice for your future self.

SOCIAL PROOF



Description: Social Proof involves following the actions of others to reflect correct behavior in a given situation. This principle helps you understand the influence of social behavior on your decisions. It's beneficial because it promotes awareness of external influences and encourages independent thinking.

Real-World Example: Choosing a crowded restaurant over an empty one, assuming the food must be better.

How You Can Apply It: Be mindful of the influence of others on your decisions and strive to make choices based on your values and critical assessment.

SUNK COST FALLACY

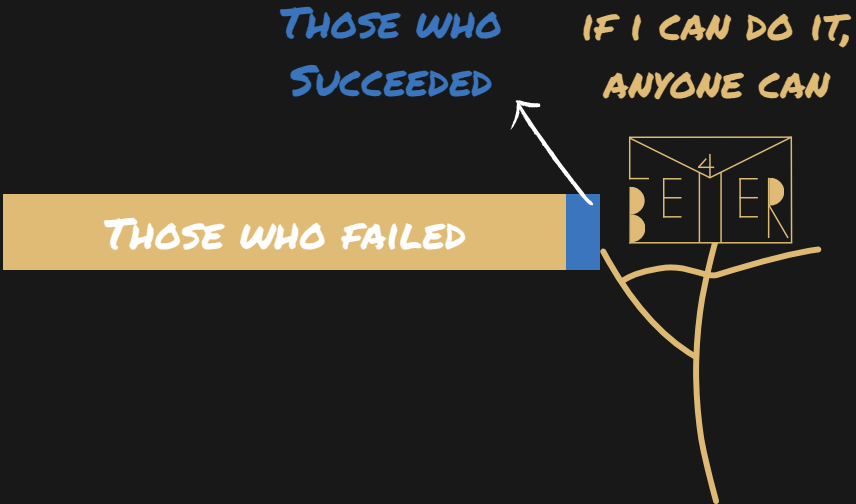


Description: The Sunk Cost Fallacy is the tendency to continue an endeavor due to the invested resources (time, money, effort) rather than the current benefits. This principle helps you recognize the irrationality of continuing based on past investments. It's beneficial because it promotes better decision-making by focusing on present and future benefits.

Real-World Example: Continuing to watch a movie you don't enjoy because you already paid for the ticket.

How You Can Apply It: Evaluate your decisions based on current and future benefits rather than past investments to avoid unnecessary losses and improve overall outcomes.

SURVIVORSHIP BIAS



Description: Survivorship Bias is focusing on successful entities while ignoring those that failed, leading to false conclusions. This principle helps you understand the importance of considering all data, not just the successful cases. It's beneficial because it promotes more accurate and informed decision-making.

Real-World Example: Studying successful entrepreneurs without considering the many who failed, leading to skewed perceptions of what it takes to succeed.

How You Can Apply It: Consider both successes and failures in your analysis to gain a more comprehensive understanding and make better-informed decisions.

TRAGEDY OF THE COMMONS

LET ME THINK
ABOUT THIS



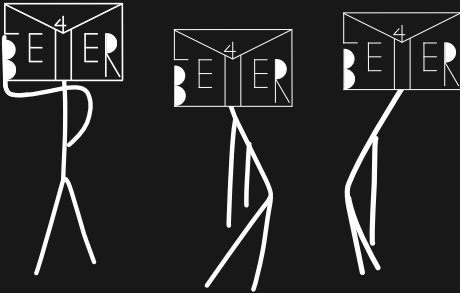
Description: The Tragedy of the Commons is a situation where individuals acting independently and rationally according to their self-interest behave contrary to the best interests of the whole group by depleting a common resource. This principle helps you understand the impact of individual actions on shared resources. It's beneficial because it promotes responsible and sustainable behavior.

Real-World Example: Overfishing leading to the depletion of fish stocks, harming the entire fishing community.

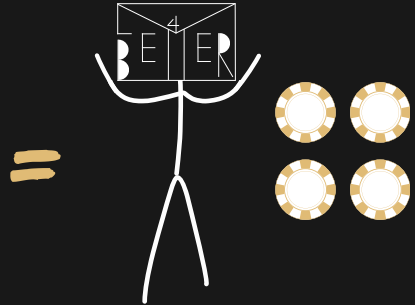
How You Can Apply It: Consider the impact of your actions on shared resources and strive to act in ways that benefit the collective good and ensure sustainability.

ZERO-SUM GAME

WE LOST



I WON



Description: A Zero-Sum Game is a situation where one party's gain is exactly balanced by another party's loss. This principle helps you understand competitive scenarios where resources are limited. It's beneficial because it promotes awareness of the dynamics of competition and cooperation.

Real-World Example: In a poker game, the amount won by one player is lost by another.

How You Can Apply It: Recognize situations where resources are limited and strive for win-win solutions whenever possible, fostering collaboration rather than competition.

THANK YOU



DEAR READER,

THANK YOU FOR TAKING THE TIME TO EXPLORE THESE MENTAL MODELS WITH ME. YOUR WILLINGNESS TO INVEST IN YOUR GROWTH AND DECISION-MAKING SPEAKS VOLUMES ABOUT YOUR DEDICATION TO BUILDING A LIFE FILLED WITH PURPOSE, FULFILLMENT, AND INTENTIONALITY.

AS YOU NAVIGATE YOUR PATH, I HOPE THESE INSIGHTS SERVE AS A COMPASS TO GUIDE YOUR CHOICES, SIMPLIFY COMPLEXITIES, AND EMPOWER YOU TO DESIGN A LIFE THAT ALIGNS WITH YOUR TRUE SELF. THE BEAUTY OF MENTAL MODELS LIES IN THEIR PRACTICALITY AS TOOLS TO REFINE YOUR DECISION-MAKING.

EVERY DECISION YOU MAKE CARRIES THE POTENTIAL TO RIPPLE OUT INTO YOUR RELATIONSHIPS, CAREER, AND WELL-BEING. WITH CLARITY AND AWARENESS, YOU HAVE THE POWER TO SHAPE THOSE RIPPLES INTO WAVES OF POSITIVE CHANGE.

IT'S BEEN A JOY TO SHARE THIS INFORMATION WITH YOU. MY HOPE IS THAT THIS BOOK BECOMES MORE THAN A RESOURCE, BUT A CATALYST FOR MEANINGFUL ACTION AND A COMPANION IN MOMENTS OF UNCERTAINTY.

THANK YOU FOR ALLOWING ME TO BE A PART OF YOUR GROWTH. KEEP NURTURING YOUR CURIOSITY, SEEKING YOUR PURPOSE, AND BUILDING A LIFE THAT FEELS AS GOOD AS IT LOOKS. HERE'S TO YOUR CONTINUED SUCCESS, FULFILLMENT, AND THE INCREDIBLE JOURNEY AHEAD.

P.S. IF YOU GOT ANY VALUE, PLEASE SHARE IT WITH SOMEONE YOU KNOW WHO COULD BENEFIT FROM THESE MENTAL MODELS AS WELL :)

WITH GRATITUDE,

- DEXTER LAM

