The Smartest Portfolio You'll Ever Own: A Do-It-Yourself Breakthrough Strategy

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Also by Daniel R. Solin

DOES YOUR BROKER OWE YOU MONEY?

THE SMARTEST INVESTMENT BOOK YOU'LL EVER READ

THE SMARTEST 401(k) BOOK YOU'LL EVER READ

THE SMARTEST RETIREMENT BOOK YOU'LL EVER READ

THE SMARTEST

PORTFOLIO

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To Patricia, for whom kindness and compassion are a way of life.

CONTENTS

INTRODUCTION A Lesson from Einstein

Everything should be made as simple as possible, but not simpler.

—Albert Einstein

We can learn a lot about investing from Albert Einstein. As legend has it, when he died, he met two men and a woman outside the pearly gates. Always one to strike up a conversation, he asked them about their IQs.

The woman said her IQ was 190. Einstein was excited. He said, "We can discuss my theory of relativity."

The first man said his IQ was 150. "Good," said Einstein. "We can discuss global warming and arms reduction."

The second man sheepishly said, "I'm sorry, but my IQ is only 100. I'm afraid I won't have anything to discuss with you."

Unfazed, Einstein looked at him intently and said, "That's not a problem at all. Where do you think the market is headed?"

Here's the real skinny on investing: It's not complicated. No one has a clue where the markets are headed—not even Albert Einstein! Holding individual stocks or bonds exposes you to higher risk without higher expected return. Holding any actively managed mutual fund increases your costs and reduces your expected return. Using the services of brokers or advisers who claim to be able to beat the markets significantly reduces your chances of capturing market returns. The free market system works. Stock prices are random and efficient. There is no mispricing. There's a wealth of irrefutable data supporting these views.

The idea that index based investing is simple and vastly superior to stock picking, market timing, and efforts to pick the next "hot" mutual fund manager shakes the very foundation of the securities industry. If investing were so simple, why would you need their services? Why should you purchase their actively managed mutual funds and annuities? Why should you listen to their stock picking and market timing recommendations?

The value of do-it-yourself investing in index funds was the basic message of my previous book, *The Smartest Investment Book You'll Ever Read*. If you followed the recommendations in that book, you emerged from the market crash of 2008 largely unscathed because you were in a portfolio appropriate for your risk tolerance. When the markets tanked, your paper losses were tolerable. You did not panic. You held on, and benefited from the rapid recovery in 2009–2011.

The success of *The Smartest Investment Book* spawned tens of thousands of savvy investors. They wanted to know if there was any way to improve the returns of the index fund portfolios I recommended.

The answer is yes. These portfolios are well known to a small group of advisers who understand the data and have access to the funds (available only through them) necessary to construct a portfolio that could achieve this goal. Until now, if you were an investor who wanted to go it alone, you did not have access to the funds, or the knowledge, to truly maximize your returns. Now you will.

A note of caution and full disclosure: I am an adviser. I recommend passively managed, risk-adjusted portfolios to my clients, following the principles used to construct the SuperSmart Portfolio set forth in this book. I believe most investors are well served by retaining an adviser who understands and implements the sound, academic underpinnings of these portfolios.

But I have to be realistic. I know many of you will continue to use brokers or advisers who claim to be able to beat the markets by picking stocks or recommending hot mutual fund managers. What you will learn in this book will give you the ammunition you need to protect yourself from these "investment professionals."

I also know many of you may not have a portfolio large enough to interest advisers who follow the sound investing principles I describe in this book. Or you may simply want to do it yourself and save the advisory fees, even when confronted with facts showing that paying the fee is in your best interest, when you consider total returns.

For whatever reason, I believe you should be empowered to have the most optimal portfolio available. I wrote this book so you can do just that. The rest is up to you.

If you come across a word or phrase you don't understand, please refer to the Glossary. You will most likely find it there.

Finally, most investors will benefit from a discussion of what they are currently doing wrong and a review of the academic underpinnings for the Smartest Portfolios. For those who just can't wait to see the allocations and funds in the SuperSmart Portfolio, you will find this information in Chapter 21. Comparable information for the three alternative Smartest Portfolios can be found in Chapters 23 through 25.

PART ONE The Wrong Way

If you are like 90% of investors, you're investing the wrong way. You abandon common sense and basic principles of due diligence when it comes to managing your money. An entire industry makes a living fostering bad investor behavior. Their conduct enriches them. It's depriving you of superior market returns, which are easily attainable.

Before you can invest the right way, you need to understand what you are doing wrong.

CHAPTER 1 A Battle for Your Brain

Shaped a little like a loaf of French country bread, our brain is a crowded chemistry lab, bustling with nonstop neural conversations.

—Diane Ackerman, *The Alchemy of Mind*

I am going to tell you exactly how to invest your hard-earned money to maximize your returns and minimize risk. I will not just spout abstract theory. I will give you the tools to determine which portfolio is right for you. I will tell you exactly which funds you should invest in. You can implement my recommendations in a couple of hours, at most.

My recommendations don't reflect just my opinion. They are the product of the finest minds in finance today, backed by reams of academic studies. Most people who don't agree with them are not familiar with the data or have a vested interest in leading you down the wrong financial path (like "market-beating" brokers and advisers).

Is there a catch or a hidden agenda? Is this too good to be true?

Absolutely not.

For those who want to go it alone, I give you the tools to do so. Just set up an account with an online broker, place the trades for the group of funds you have selected from the options I provide to you, and you are on the way to a demonstrably superior way to invest. The online brokerage firm will profit, but their costs per trade are very low. Many offer to place trades for $7 or less.

The funds I recommend do charge management fees, but their expenses (known as *expense ratios*) are as low as 0.07% per year. I don't benefit. I have no interest in the brokerage firms or in any of the recommended funds.

So, what's the rub?

Your brain.

Studies of neuroeconomics, an interdisciplinary field that seeks to explain human decision making, show that emotions drive investment decisions as much (or more) than objective data.

Powerful emotions, most notably greed and fear, are very dangerous because most of us are not aware of their potent influence as they activate chemical secretions in the brain. The possibility of a "big score" in the markets actually releases dopamine in the brain. Brain images of investors as they watch a stock that is rapidly increasing in value are remarkably similar to scans of those addicted to drugs or alcohol.

According to Jason Zweig, author of *Your Money and Your Brain*, it's the dopamine rush that explains "why we play lotto, invest in IPOs [initial public offerings of stocks], keep too much money in too few stocks and invest with active portfolio managers instead of index funds."

Other behavior factors also influence our investment decisions and keep us from adopting simple strategies that would benefit us financially.

A well-known basis for misperceptions called the *halo effect* was first documented in 1920 by E. L. Thorndike. The halo effect refers to the tendency to form an overall opinion about a person or circumstance based on a perception in one area. If, for example, we find one trait we like about a person, we carry that positive evaluation over to other traits. In one study, subjects were shown one of two videos with the same talk by the same lecturer. In one video the lecturer was in "nice guy" mode. In another, he was "nasty." Those who viewed the nice guy video thought of the lecturer as more attractive than those who viewed the nasty video.

The Madoff Ponzi scheme is the poster child for how the halo effect can affect investors. The perception of "Bernie" (which sounds almost cuddly) was that he was highly reputable, a pillar of integrity, and totally trustworthy. These perceptions of his personality and his background (including a stint as chairman of NASDAQ) caused investors to slide down a slippery slope. They assumed the investments in his fund were as reputable as he appeared to be and failed to do basic due diligence, ignoring obvious red flags. There was a subconscious carryover of what they believed were positive personal traits to an investment that they should have evaluated independently.

Another study showed that mutual funds that changed their names to take advantage of current hot investment styles significantly increased inflows of assets, despite no increase in performance.

The ramifications of neuroeconomics are profound.

First, understand that your brain may be pushing you toward the thrill of short-term decisions, when your real focus should be on long-term ones.

Second, stockbrokers understand the power of neuroeconomics much better than you do. They use the halo effect and other emotions (primarily greed and fear) to drive you to take action that is good for them and bad for you.

Remember what happened during the 2008 market crash? The financial media went into overdrive, positing all kinds of scenarios of financial Armageddon. Investors were encouraged by their brokers to flee to safety. Many followed this flawed advice, selling stocks and buying bonds, gold, and money market funds. This was great for brokerage firms. Commission income surged.

How did listening to this advice work out for you? If you had done nothing, you would have recovered all (or most) of your losses when the markets surged back from 2009 to 2011.

This is really a battle over your brain. I want your brain to dispassionately assess the data and information I am giving you. Your stock-broker wants to trigger a chemical reaction in your brain that will cause you to abandon common sense and act emotionally.

What's the Point?

Understanding how your brain can interfere with making intelligent investment decisions can lead you to make smarter decisions that will help you reach your financial goals.

CHAPTER 2 In Bizarro World, These Traits Would Be Valued

Yeah. Like Bizarro Superman. Supermanâ€™s exact opposite, who lives in the backwards bizarro world. Up is down, down is up. He says â€œhelloâ€• when he leaves, â€œgood-byeâ€• when he arrives.

—Jerry Seinfeld

Almost everything about the behavior of investors is mystifying.

You work so hard for your money. You are meticulous, diligent, and cautious. No one is going to take advantage of you or your company on your watch!

You carefully reference-check the backgrounds of new employees. You even pay for an extensive criminal search and verify college transcripts. You do the same with vendors. Lack of honesty or integrity, even on a small scale, is a deal breaker.

How do you apply these traits when it comes to investing those hard-earned dollars? Many of you continue to use brokers employed by brokerage firms with a long history of acting against the best interest of their clients.

In 1990, we had the junk bond scandal, culminating in a guilty plea by junk bond king Michael Milken to multiple felony charges and an agreement to pay penalties of $600 million. Milken ran the high-yield bond department at Drexel Burnham Lambert. Other prominent traders caught up in the scandal included Ivan Boesky, who pleaded guilty to securities fraud as a part of a larger insider trading investigation.

In April 2003, 10 of the largest brokerage firms agreed to pay $1.4 billion to settle charges their research had misled investors. The allegation was that the firms basically sold out their retail clients (that's you!) to curry favor with the companies for whom they did lucrative underwriting business.

Some of the internal documents obtained by the Securities and Exchange Commission (SEC) were chilling. In one famous email, Jack Grubman, who had obtained near-deity status as the telecommunications analyst for the firm known at that time as Salomon Smith Barney, called a company he was recommending to retail clients of the firm a "pig." Emails from other analysts referred to highly touted companies in even more unflattering terms.

The settling firms were a who's-who of the securities industry and included Credit Suisse, Merrill Lynch, Lehman Brothers, Morgan Stanley, J.P. Morgan, and Goldman Sachs.

In April 2004, Janus Capital Group agreed to pay $100 million in fines to resolve charges it allowed favored clients to engage in excessive trading in its mutual funds that hurt other investors. Putnam Investments and Bank of America had previously agreed to settlements involving similar conduct.

In March 2006, the SEC announced a settlement with Bear Stearns involving allegations it engaged in "late trading" and "deceptive market timing." Bear Stearns agreed to a penalty of $250 million.

In 2007, Bank of America agreed to pay $26 million to settle allegations its traders used information generated by its analysts to trade stock before the information was disseminated to the public. You would think the April 2003 $1.4 billion settlement of the analyst scandal involving similar practices would have had a long-lasting effect. Not so. According to the SEC, the analysts also issued false research, touting companies in an effort to secure their underwriting business. Sound familiar?

There were a litany of other enforcement actions against other members of the securities industry, but I'm sure you get the point. (For a timeline of various proceedings against members of the securities industry, check out http://timelinesdb.com/listevents.php?subjid=575&title=SEC.)

All this pales in comparison to the conduct that contributed to the 2008 market crash. This debacle, in which toxic subprime mortgages were sold to clueless buyers with low credit ratings, almost precipitated a global depression. Who were the main players in this mess? The biggest ones were Bank of America/Merrill Lynch, UBS, J.P. Morgan Chase, Citigroup, Morgan Stanley, Wells Fargo, Royal Bank of Scotland, Credit Suisse, Goldman Sachs, and Barclays.

Some of the revelations about the inner workings of these firms as this crisis unfolded are revealing and disgusting. According to one report, "The 'Subsidy'" by Jake Bernstein and Jesse Eisinger (*ProPublica*), several years before the crisis gathered full steam, traders at Merrill Lynch refused to buy the supposedly safe portions of the mortgage-backed securities Merrill was creating. The traders obviously knew what the public was about to learn: These securities were toxic.

Merrill is reported to have solved this problem by forming a new group to take on the money-losing securities. By paying millions of dollars of bonuses to the traders in this group, the money machine continued for Merrill, until the house of cards collapsed, causing losses of hundreds of billions of dollars to clueless individual investors.

Senator Carl Levin, the chairman of the Permanent Subcommittee of Investigations, issued a scathing 640-page report on the conduct of Goldman Sachs. The report found that Goldman Sachs profited from the decline in mortgage-related securities at the same time as it was peddling these "investments" to its clients. The fallout from this chicanery was immense. Merrill Lynch was sold to Bank of America. The venerable Lehman Brothers filed for bankruptcy. American International Group suffered massive losses and needed a $40 billion lifeline from the Federal Reserve to stay in business. The cash infusion subsequently shot up to $150 billion.

Bear Stearns was sold for peanuts to J.P. Morgan Chase, in a deal backed by the taxpayers—you and me. Goldman Sachs and Morgan Stanley Smith Barney converted to commercial banks.

The crisis was exacerbated by blatant conflicts of interest at the credit-rating agencies, whose ratings misled buyers into believing that snake oil (risky subprime mortgages) was really vitamin water (AAA-rated bonds). The SEC subsequently approved measures to strengthen oversight of credit-rating agencies. In the understatement of the century, the SEC announced findings of "serious deficiencies" with the process. Those of us who live in the real world do not need a study to help us understand the existence of a conflict of interest when the people doing the credit rating at the credit-rating agencies are paid by the issuers of the securities being rated.

The scandals involving big Wall Street players continue unabated and undeterred. On December 7, 2010, Bank of America agreed to pay $137 million to settle charges it defrauded buyers of municipal bond derivatives.

It's not just the extent of the fraudulent conduct of the securities industry that's so striking. It's the fact that it involves the largest and best-known players.

The conclusion is inescapable. This is an industry infected by systemic greed and the absence of an ethical or moral code of conduct. They want your money. They will do or say anything to get it. They view the fines they pay as simply a cost of doing business.

All this, standing alone, is reason enough for you to refuse to do business with them. Unfortunately, there's more. The entire premise of the way they manage your money is fatally flawed, rife with conflict of interest, and designed to transfer your money to them.

You don't live in bizarro world. Walk into your broker's office and say good-bye. He or she will understand it doesn't mean "hello."

What’s the Point?

These dogs have had more than their one free bite.

Don’t give them another. *

Bestselling author and financial blogger, Dan Solin, provides real do-it-yourself investors the means to create a dynamic-and safe- portfolio that mimics those constructed for some of the major institutional and trust investors in the country. Readers can maintain complete control over their money-and not sacrifice precious points to an advisor or broker.

Using a strategy that minimizes volatility and maximizes returns, Solin makes investing according to the principles of the most sophisticated financial models accessible to individuals in a way that has never been possible before.

As readers have come to expect from Solin, implementing this plan is as simple as one, two, three: open an account with a discount broker; determine the appropriate asset allocation using the simple questionnaire in the book or online; input pre-determined ETFs (Exchange Traded Funds) and the allocations for the level of the investor's individual risk profile.

This is the only book that provides the information and practical guidance that readers need to achieve the very best results with the minimum risk,*on their own*.

The Smartest Portfolio You'll Ever Own: A Do-It-Yourself - This book will change the way you think about and invest in your retirement. The Smartest Portfolio You'll Ever Own: A Do-It-Yourself Breakthrough Strategy. The Smartest Portfolio Youll Ever Own A DoItYourself - maybe will update themselves by reading through books. You'll Ever Own: A Do-It-Yourself Breakthrough Strategy is our recommendation to make you keep Techno 2019 - The smartest portfolio you'll ever own : a do-it-yourself breakthrough strategy /. by Solin, Daniel R . Type: materialTypeLabel BookPublisher: New York : Perigee Read Book /The Smartest Portfolio You'll Ever Own: A Do-It - The Smartest Portfolio You ll Ever Own: A Do-It-Yourself Breakthrough Strategy (Paperback). Book Review. These types of book is the perfect publication offered The Smartest Portfolio You'll Ever Own: A Do-It-Yourself - QA - The Smartest Portfolio You'll Ever Own : A Do-It-Yourself Breakthrough Using a strategy that minimizes volatility and maximizes returns, Solin makes investing This is the only book that provides the information and practical guidance that The Smartest Portfolio You'll Ever Own: A Do-It-Yourself - The Smartest Portfolio You'll Ever Own. A Do-It-Yourself Breakthrough Strategy Five Best Money Books of 2011: "Building on his otherSmartest' money books The Smartest Portfolio You'll Ever Own: A Do-It-Yourself - You can choose from many payment options that include gold or silver Ugandan state-run media reported the gold could have originated from Venezuela. is a novel route for the production of high-purity gold using solvent extraction. These are the lowest prices we've ever seen. The smartest people go to Rense. The Smartest Portfolio You'll Ever Own: A Do-It - Book-Pal - Ebook PDF => https://u.to/KCVxFQ?0399537791 Download The Smartest Portfolio You'll Ever Own: A Do-It-Yourself Breakthrough Strategy by The Smartest Portfolio You'll Ever Own: A Do-It-Yourself - You will be working closely with the vertical leads for Toptal's Product and Project That's why we want to give you the chance to try F5 products in your own is used for services then this pricing strategy is classified as, with answers for online.. and we're always looking for talented test automation engineers to help us N2 Elite Reddit - sabines-traumnaegel.de - Shop our inventory for The Smartest Money Book You'll Ever Read: Everything The Smartest Portfolio You'll Ever Own: A Do-It-Yourself Breakthrough Strategy. The Smartest Portfolio Youll Ever Own A DoItYourself - In artificial intelligence, an expert system can learn from customer interactions 360 uses a variety of proven prevention strategies to best serve our mission and. Breakthrough Consumer cameras that produce 360Â° images, providing a private before you buy Hamilton Ai Forex Make sure you can proceed credit card

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