Preface

The objective of this book is to help an individual (or family) design a personal investment strategy. The optimum investment decision for you depends on your investment objectives and your current economic status, but it is important that you understand the investment alternatives. It is the premise of the book that the U.S. stock market has never been too high compared to the long-term value of its securities. It always pays to have some common stock in your portfolio. You should make your investment decisions given this fact (or this "claim" if you do not believe the analysis to follow). This book assumes that you are interested both in the return you are likely to earn from your investment and the risk of not earning the return target. It also assumes you are willing to give up the possibility of some expected return in exchange for some reduction in risk.

Most of the chapters have a very small amount of arithmetic. A reader can skip the arithmetic and still understand the major arguments being made. A better strategy is to read the book and not worry about the fact that a few sections are somewhat complex. The conclusions are easily understood.

A reader who is looking for a sure-fire (no risk) system for beating the market and becoming rich should look elsewhere. In fact, that person should seek a different world in which to live. While the book does offer a strategy for using the stock market for making a large fortune from a small investment, it recommends in its stead an approach to be used to increase the probability of earning a reasonable return on your investment. Why not choose the path to a fortune? I do not have an objection to wealth, but rather a natural desire for survival that leads to the more modest earnings objective. Extreme strategies also have extreme risk. The objective is to be efficient in the application of a strategy leading to a good return rather than to be greedy in seeking an elusive pot of gold.

Avoiding investment in stocks because the market is too high has always been a bad long-term investment strategy in the U.S. Assuming the future performance of the market will be similar to the past, one should own some common stocks.

The focus of this book is "personal" investing since investing very large amounts of money leads to different strategy recommendations (if the policies of the firm being purchased can be influenced).

Chapter 1 to this book says that there are three essential rules. Why not learn the three rules and not buy and read the entire book? The short answer is "that the devil is in the details". For example, one rule is to take taxes into consideration. But what does this mean if you have the choice between investing in stock or bonds? Detailed analysis is needed.