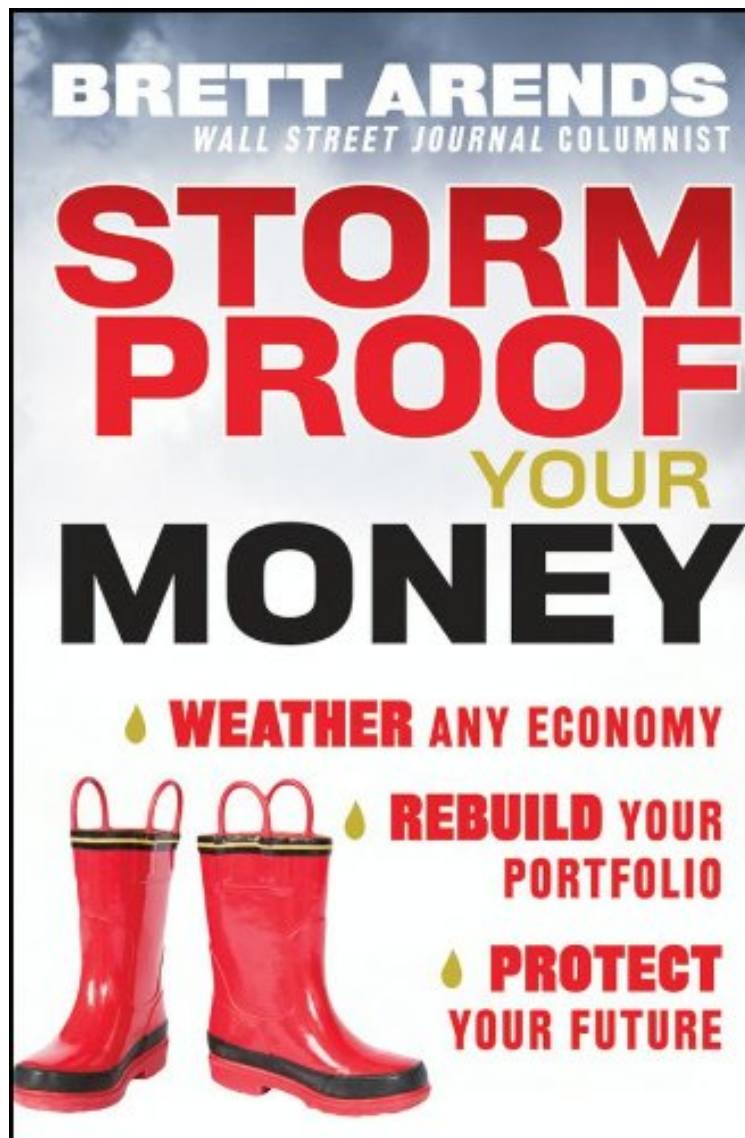


(Library ebook) Storm Proof Your Money: Weather Any Economy, Rebuild Your Portfolio, Protect Your Future

Storm Proof Your Money: Weather Any Economy, Rebuild Your Portfolio, Protect Your Future

Brett Arends

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Brett Arends : Storm Proof Your Money: Weather Any Economy, Rebuild Your Portfolio, Protect Your Future before purchasing it in order to gage whether or not it would be worth my time, and all praised Storm Proof Your Money: Weather Any Economy, Rebuild Your Portfolio, Protect Your Future:

1 of 1 people found the following review helpful. Too basic for mostBy BoraxoThis book is basically written for

someone who knows almost nothing about money. If you are college educated and read personal finance news then you will already know most of this stuff like why you should max out your 401k and buy term life insurance. And contrary to the title there is very little useful info on diversification such that you will avoid the type of real damage that we saw in 2008 when virtually all asset classes tanked. To be fair I did find something useful in the chapter that provides information on using options to hedge against market downturns, so I'm awarding an extra star for that. But otherwise this book is probably worth no more than the 1 cent plus shipping price.

59 of 62 people found the following review helpful. Thoughtful discussion by a financial columnist

By Philip Stein

Financial columnist Brett Arends surveys the investment landscape from his perch at the Wall Street Journal. His reports often appear in the Wall Street Journal Sunday Edition in my local newspaper. Mr. Arends is a talented writer and I have found his articles to be well-reasoned, clear and concise in style, and, for me, a must-read. When I learned he had written a new book titled "Storm Proof Your Money" I decided to buy a copy based solely on what I had read in my Sunday paper. I was not disappointed.

His new book is a self-help guide for those seeking to rebuild their portfolios in the aftermath of the 2008 financial crisis. But Mr. Arends is not content with just helping you make up lost ground. He wants you to build a stronger portfolio that should help you weather future crises as well. You will know when your portfolio is "storm proof" when you no longer worry about what the markets will do next. Indeed, you won't care.

Not surprisingly, the road back to financial security begins with climbing out of debt. The author regards a credit card balance as tantamount to serfdom since you are indebted to a creditor and unable to take control of your financial life. So your first order of business is to pay off those credit cards and vow to never again run a balance. If you can't pay off your balance each month, then cut up your cards. Period. The author's peremptory tone is tough medicine, but necessary. If you can't avoid debt, you will never be able to save enough to achieve whatever level of financial security you seek.

Which brings us to saving. One of the principle lessons of this book is that saving more is your only road to salvation. You cannot depend on the stock market to bail you out if you save too little. The author's argument is buttressed by a recent column by Jason Zweig in the January 16, 2010 edition of the Wall Street Journal which reports that a nationwide survey of investors reveals an expected average annual return for US stocks over the next ten years of 13.7%. Considering the corrosive effect of inflation, investment costs, and taxes, expecting 13.7% is unrealistic to put it mildly. Zweig reports that the historical record of US stock prices from 1926 shows that a mix of stocks, bonds, and cash returned around 2% annually net of inflation, costs, and taxes. Not exactly the stuff of which dreams are made. To gauge what returns you can expect in the future, Zweig asks his readers to imagine a swap of their current portfolio with a counter party who guarantees them a risk-free real return for the next 50 years. What return would the counter party agree to contractually deliver? A professional money manager actually tried this exercise with the institutional trading desk of a major investment bank. The bank's response? 1%. So the message is clear. Don't expect the markets to rescue you if you save too little. Fall into this trap and you will likely find yourself trying to catch up by chasing hot stocks or funds, or engaging in risky strategies, or both. If history is any guide, you will end up with a level of wealth inadequate to the task of providing you with a secure retirement. Are we therefore condemned to live like monks and save every available penny? Not necessarily. One of the strengths of Mr. Arends book is the long list of suggestions he offers to help you save more without sacrificing too much of your current lifestyle. Consider one example. Many people enjoy their morning latte at \$4 a pop. Standard advice is to forgo the latte and pocket the \$4. Arends suggests buying a cappuccino machine and making your own lattes. At \$4 per day you will quickly recoup the cost of the machine and you will thereafter enjoy your morning habit and far lower cost than before. Pocket the savings and savor the aroma. Not bad advice.

When the author turns to portfolio construction, he suggests we begin with an allocation to US Treasury Inflation Protected (TIPS) bonds to provide stability and inflation protection. He then moves on to low cost equity market exposure using either a global index fund or a mix of domestic and international index funds. Here the author parts company with conventional wisdom and recommends a roughly one-third allocation to US stocks, foreign developed markets, and emerging markets. Compare this with William Bernstein's recommended 20-40% exposure to foreign equities in his recent book "The Investor's Manifesto." Arends argues that most economic growth over the next ten years should occur overseas while the US, hobbled by excessive debt and high taxes, takes up the rear. Bernstein, on the other hand, argues that our bills are paid in US dollars so too much exposure to foreign currency swings makes over-allocation to foreign markets risky for US consumers. Both have valid arguments. It is incumbent on each of us to consider the evidence and decide which approach is best for our personal circumstances. No one ever said that investing was easy.

The author goes on to recommend various types of actively managed funds for your portfolio, but cautions his readers to avoid what he refers to as "McMoney" funds, conventional active funds which constrain managers to rigid adherence to some benchmark or investment style. Instead, the author prefers "smart, flexible funds" where talented managers are free to guide their portfolio wherever opportunities are found. This category includes asset allocation funds, long-short funds, and covered call funds, among others. According to the author, these unconventional choices offer you both true diversification because they will certainly not track a benchmark, and a degree of safety because astute managers have the ability to avoid what they regard as overpriced asset classes, thus (theoretically) protecting your investment from severe market declines. Unfortunately, the author doesn't provide model portfolios nor recommend specific allocations. This decision

is left to you. However, if you read the author's columns, you may discover some specific advice. In a recent column dated January 17, 2010, Arends recommends at least a 20% allocation to TIPS bonds even for aggressive investors. He could see this allocation rise to as much as 50% for very risk-averse individuals. Perhaps he will offer more recommendations in the future. The author concludes the book with a discussion of the benefits of tax sheltered accounts and admonishes his readers to make the most of them. With taxes likely to rise significantly, 401(k)'s and IRAs will become even more valuable. The author makes an interesting point when banging the drum for more tax-deferred investing. He claims that critics of tax-deferred accounts often state that withdrawals are subject to income tax rates up to 35 percent. While true, Arends points out that only individuals or couples earning an annual taxable income in excess of \$370,000 pay income taxes at the 35% rate. Few of us have this problem. In fact, the average retired couple falls in the 15% bracket, making tax-deferred investing a good deal for most of us. And don't forget the benefits of tax-deferred compounding. The appendix, titled "Investment Spotlight," uses graphs of the performance of various investments to illustrate many of the points made in the preceding chapters. All in all, a very effective way to drive many of the book's lessons home to the reader. Brett Arends writing style is reminiscent of Jonathan Clements, a former personal finance columnist at the Wall Street Journal. If you liked Mr. Clements concise, no-nonsense approach to financial advice, I think you will benefit from reading "Storm Proof Your Money." It will be time well spent. 0 of 0 people found the following review helpful. Excellent general advice By U. Speth This book won't promise to make you a millionaire overnight but explain how to protect your assets from harm both, in times of personal tragedy or in market turmoil. Although written in 2009 the book is very current in all aspects as it addresses long term financial needs. If you follow the author's advice you may well save yourself a trip to a financial adviser or be at least much better prepared for it.

Accessible financial guidance for turbulent economic times With the stock market in a tailspin, real estate market continuing to drop, and the economy in recession, it's important to understand how you can get through these difficult times. Whether you're twenty-six or sixty-two, you still need to live and provide for your future. That's why you need *Survive the Slump*. As the personal finance columnist for the Wall Street Journal Online, author Brett Arends has become an authority for individuals who need to know how to best position themselves and their money. Now, with his new book, Arends has crafted a financial plan that anyone can put to work immediately. From protecting what you have to rebuilding what you've lost, *Survive the Slump* provides just the guidance needed. Outlines effective strategies for spending smarter, saving more, and making sure that your money grows reasonably. Contains straightforward advice that highlights immediate savings opportunities. Provides a timely financial action plan from a trusted Wall Street Journal columnist. Written with every investor in mind, *Survive the Slump* will help you make smarter investment decisions and put you in a better position to survive and thrive under any economic condition.

From the Inside Flap With the stock market still wobbly, the real estate market unable to rebound, and the economy barely growing, it's important to understand what went wrong and what you can do to get through these difficult times. The fact is, whether you're twenty-six or sixty-two, you need a plan to get back on the right financial track and protect what you have. That's why you need *Storm Proof Your Money*. As the personal finance columnist for the Wall Street Journal Online, author Brett Arends has become an authority for individuals who need to know how to best position themselves and their money. Now, with his new book, Arends has crafted a financial plan that anyone can put to work immediately. From protecting what you have to rebuilding what you've lost, *Storm Proof Your Money* provides the practical guidance you've been looking for. Chapter by informative chapter, it: Outlines a safer way to ease back into the market, and offers simple portfolio tools you can use to ensure your savings earn a competitive return without unnecessary risk. Explores what has gone wrong with so many investment strategies, and looks at the investment errors many continue to make. Lays out principles for boosting your cash flow and savings rate without too much hardship or pain. Reveals how to effectively use tax shelters and make the most out of vehicles such as 401(k)s, IRAs, and variable annuities. And much more. Written with every investor in mind, *Storm Proof Your Money* will help you make smarter investment decisions and put you in a better position to survive and thrive under even the most turbulent economic conditions. If you want to understand what went wrong with your money, why it went wrong, and what you can do about it, then *Storm Proof Your Money* is a book you need to read. From the Back Cover Praise for *Storm Proof Your Money* "Brett Arends's new book is very worthwhile and an enjoyable read. It is extremely well written. It provides an excellent reference and aid in planning for all investors. It is very clear and very informative in both the text and in the appendix. You will receive a high return on your time reading this book." — Dan Fuss, Vice Chairman, Loomis Sayles Co., LP "Brett Arends distills his knowledge from years of interviewing the best and brightest minds in investing into this straightforward personal finance primer, ideal for anyone looking to make sense of today's complex finance landscape." — Lawrence Glazer, Managing Partner, Mayflower Advisors, LLC "I have known Brett Arends for years and have always been a big fan of his columns. We go back to the days when he wrote for the Boston Herald. His new book *Storm Proof Your Money* is well timed and will help readers deal with the tumultuous times we are headed into." — Barry Armstrong, Armstrong Advisory Group About the Author Brett Arends is an award-

winning financial journalist and the personal finance columnist for the Wall Street Journal Online. He has appeared on The NewsHour with Jim Lehrer, CNN, the Michael Smerconish radio show, and a variety of other national and local broadcasts. Arends also writes for MarketWatch. Before joining the Wall Street Journal in 2007, he wrote for TheStreet.com. Arends has a professional background and qualifications in finance, and is a Chartered Financial Consultant (ChFCreg;) and an Accredited Asset Management Specialist (AAMS). He began his career as an analyst at McKinsey Co., the international strategic consultancy. He was educated at Cambridge and Oxford Universities.