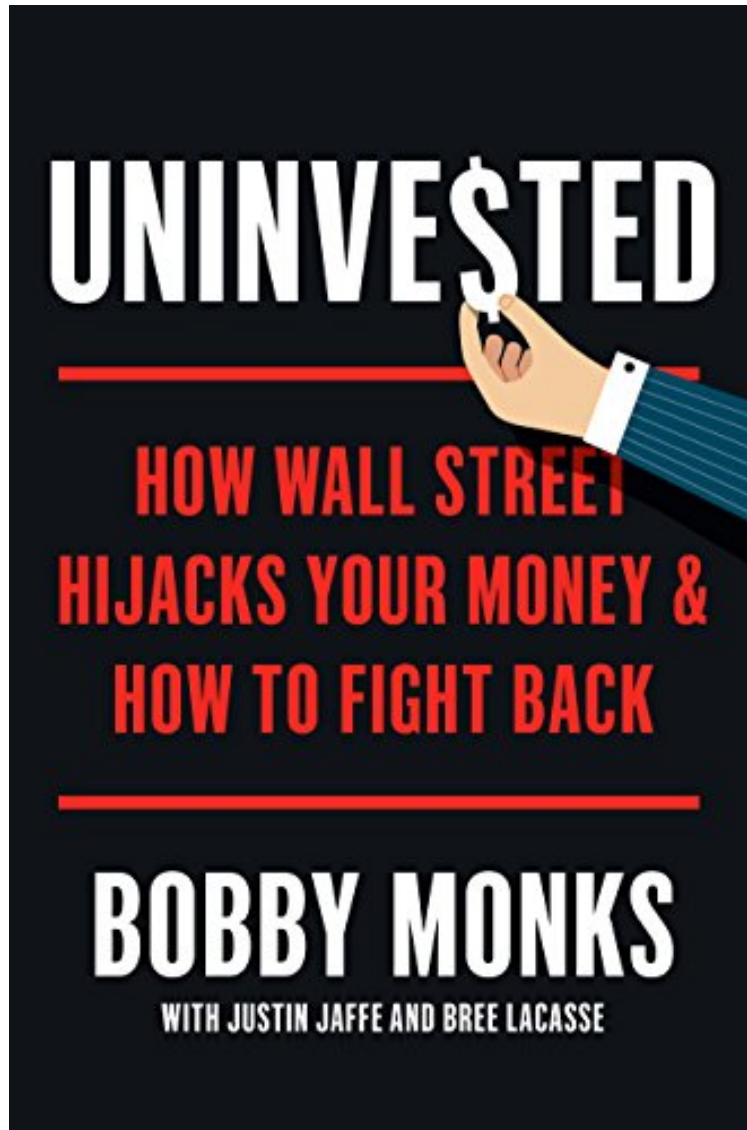


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Uninvested: How Wall Street Hijacks Your Money and How to Fight Back

Bobby Monks

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Bobby Monks : Uninvested: How Wall Street Hijacks Your Money and How to Fight Back before purchasing it in order to gage whether or not it would be worth my time, and all praised Uninvested: How Wall Street Hijacks Your Money and How to Fight Back:

13 of 14 people found the following review helpful. Populist rant with very little actual adviceBy Generic ConsumerLike the other recent reviewer, I feel cheated of my money. Monks got himself some good press as an insider who was going to talk about the behind the scenes hazards, and offer useful advice for the small investor.

Neither was accomplished. The less you know about investment options, the more useful this book will seem to you. Unfortunately, you're in the worst position to understand his rather blatant biases and borderline lies as he castigates the mutual fund business in particular. And there is no special information that you couldn't get from hundreds of other sources. A key premise of his is that it's easier for money managers to charge fees on your money than to invest their own money. But I'll say the second easy way to make money is to sell books about investing. To be clear - I'm not a fund manager and my prior involvement in the industry's largest asset manager was in technology. I put the bulk of my money in index funds across multiple sectors with a slight over emphasis on internationals, both equities and bonds. Monk points out a vital truth - that most in the finance sector are not responsible for giving you the best advice. They are selling. But he goes on to paint everyone universally with this brush. There is a difference between Vanguard and T Rowe Price, versus middle position Blackrock and Fidelity, and then the ripoff products from JPM and even more unsavory characters. And the real dangers lie outside the highly regulated mutual fund market. The worst fraud is in those who peddle 'zero risk, guaranteed double digit returns' to people who are looking to roll their 401k into an IRA. They get sold illiquid investments that lose a substantial amount of principle. Most mediocre mutual funds just trail the market by a couple percentage points. Monk doesn't cover the primary flaws in mutual funds, that which contributes most to their tendency to trail the indexes. Mutuals are ranked by their prior return, and so those who have a hot year (by luck or by actual insight) see a flood of money come in. Once a fund gets sufficiently large - more than a few billion dollars, they are less nimble and their returns quickly regress. No where else do we see a clearer example of buy high, sell low. Worse, the tax rules on mutuals can result in your investment losing money, but you having to pay taxes on the capital gains the fund realized when it had to sell assets to pay departing investors. (ETFs are better structured here and avoid this). Speaking of indexes - Monk disdains them because no one can track more than 10 companies effectively. Which misses the point. The reason one chooses to invest in the indexes is an acknowledgement that it's virtually impossible to beat the market for a sustained period of time. You don't need to track all 500 members of the SP500, or the thousands in the total market. This is the primary advice John Bogle, founder of Vanguard, espouses, along with countless others. Monk was happy to quote Bogle's remarks about the overcharging by the industry, but did not include that philosophy. Monk encourages direct stock ownership so that you may vote as a shareholder. He believes that mutual fund owners do not act in the general interest, but just approve whatever the board wants. However, activist billionaires like Carl Icahn and Private Equity firms that invest their own money - their judgement is trusted. He concedes as an afterthought that these folks often act in a short term perspective. I'm not convinced that individual investors will vote more intelligently, but it's a moot point unless there is a massive shift from mutual funds to individual stocks. Otherwise, the large financial firms will continue to control the majority of voting shares. Monk also encourages social investing, very clearly espousing a belief that investing in companies (be it direct, or via mutual/etf) is endorsing all actions they take. He's not alone in this, but odds are you will pay a price in lower returns for doing this. There are few choices out there, esp in your 401k. (The only data I've seen trying to prove socially aware funds do well come from partisan sources. It's much easier to see that sin investment returns well). If your 401k offers a brokerage option, then you can choose individual stocks, but if you exclude all energy companies as an example, you're concentrating into fewer arenas. In my kindle copy, Chapter 6 "Awakened: A Better Way to Invest" came at 65% through the book. Great - there's finally going to be some meat in this book! Sadly, I found, the footnotes begin at 75%, and the advice chapters 6 and 7 only represent 7% of the pages (65-72%). So he spends nearly 10x as much time complaining about problems as he does about solutions. What advice does he give? Invest in a CIP concept (shared investment, shared returns) he likes but that doesn't actually exist, or ask your money manager (the one he spent the first 2/3rds of the book castigating) a lot of questions. Then what? Or only invest in up to 10 stocks. Forget about meaningful diversification. The funny thing is that Vanguard comes pretty close to the shared, low cost vehicle he espouses. The investors are the owners of the funds and the fees are the cost of running it. If you feel over your head and want general good advice, look for Bogle's books. If you want to invest in stocks (exclusively or in part), the classics by Peter Lynch remain. And some of Jim Cramer's books have merit - just don't watch his show; it's purely entertainment. His biography where he describes the rather grey areas cheats he did to prevent his fund from going under are especially interesting if you want to read about the underbelly of the finance world. The key is to read multiple viewpoints so you don't fall prey to the biases of a single decent writer. And even the best (like Bogle) can be wrong about some topics (ex: his hatred for ETFs, and that Vanguard sells them). 1 of 1 people found the following review helpful. Much needed indictment of current practices and survival guide for the modern financial sector By Andrew McKenzie You don't have to look hard to notice that there are huge problems with the U.S. financial sector in 2015. Monk has written what is to me the definite book that explains in clear, layman terms not only why this came about, but what should be done about it. First, Monk walks us through the relevant parts history of the financial sector -- and in my experience, it is always a good sign when a book starts by building upon historical trends. He tells us about the rapid rise in mutual fund ownership (in percentage of U.S. households) from 1980 to 2010. He tells us about the massive distribution shift of U.S. stock ownership by individual investors, which was 90% in 1950 and had shifted to 30% in 2010. He also points out the sadly increasing discrepancy between the salaries of financial industry professionals and the median household income in the U.S. All the while, he notes the

important and troubling intersection between politics and the financial sector. As he explains, one key example of how this manifests is via the passage of the Pension Protection Act. The PPA allowed the 401(k) to become the dominant financial instrument and further incentivized the finance industry to sell complicated products -- such as the vast majority of mutual funds -- to a population of financially illiterate investors. The nuggets from interviews with Vanguard founder Jack Bogle (among others) add useful exposition to these ideas. Next, Monks describes what you can do to navigate the system as it currently exists. He explains the operating principles of the type of companies and mutual funds you should be looking to invest in. These tenets include a requirement for "skin in the game" by investors and encouraging insourcing of financial advice rather than outsourcing and thus increasing fees. He analogizes their ideals method to open-source software, in which the code underlying the process can be examined freely by anyone. He then describes the practical tips you should follow in order to reinvest your money, ranging from advice on how you can vet your money manager to how you can vote your proxy online to encourage good corporate governance. I expect that the active investment strategy that this book espouses will not only help assuage the woes of the financial sector writ large, but will also help you grow your own portfolio as well. I know I'm going to try to follow the advice myself. All in all, *Uninvested* comes highly recommended. 0 of 0 people found the following review helpful. Lots of good history and analysis on how we got this messed up, but solutions presented are 1) do the work, it's not that difficult, and 2) a pie in the sky investment formation. Useful, but skim it. Take the first option to heart and manage your own investments. That 2% hit really is ruining your 401k etc investment. Do it yourself, and think about the CIP as a potential option. You can likely get as much useful assistance from an investment club as any other group option.

Bobby Monks is blowing the whistle on Wall Street, giving middle class Americans the low down on how they're being fleeced of their retirement money and what they can do about it. Every month our financial statements arrive, and every month we glance at them, trying to understand, hoping that we'll come out ahead. But most of us have no idea what's really going on or the costs involved. According to Bobby Monks, who has been a banker and borrower, investor and entrepreneur, financial firms and money managers have complicated the investing process to keep us in the dark, profiting from our ignorance. Having dealt with the financial sector throughout his career, Monks has seen it all. In *Uninvested*, he reveals how, when, and why the relationship between us and our money managers became corrupted and what we can do to fix it. Monks shows how the system works not only against us as individuals but also against society at large. Without our knowledge or approval, our money is diverted into the pockets of CEOs and misappropriated, promoting business practices that contribute to economic inequality, political dysfunction, and environmental woe. Monks' experiences give him a unique perspective on how we got to this point. Drawing on original research and interviews with key figures such as Vanguard founder Jack Bogle, legendary investor Carl Icahn, and former congressman Barney Frank of the Dodd-Frank Act, Monks teaches us how to take back ownership and control of our money. As he writes: "Even in the decades preceding the most recent downturn, very few investors enjoyed financial success equal to that of their money managers. Given this, I have long wondered why investors don't pull their money out of the system en masse. I suspect that it is because most feel powerless. Unaware of the implications of their investments and unable to penetrate the excruciating complexity of the system that facilitates them, many seem to seek refuge in their money managers' aura of sophistication, pretense of competence, and projection of certainty. It seems to me that most investors are simply sleepwalking through the investing process. They have become uninvested. When we outsource our investing, we sacrifice control but not responsibility. My goal in writing this book is to convince you that the best (and only) way to fix this broken system is to awaken a critical mass of engaged investors and recruit them to participate more fully in the investing process." From the Hardcover edition.

"If you want to know why Wall Street always seems to make out, even as your investments never seem to do as well as advertised, you should read *Uninvested*. It's a revelatory piece of work." —HELAINÉ OLEN, author of *Pound Foolish*
"Bobby Monks would rouse investors from their slumber, free them from exorbitant fees, and offer them 'Cooperative Investment Partnerships' to reinvigorate capitalism. Whether or not his CIP concept succeeds, who can fail to cheer him on?" —ANDREW TOBIAS, author of *The Only Investment Guide You'll Ever Need*
"Most Americans have surrendered control over their financial futures to investment professionals who win even when they lose. In this clear, concise, compelling book, Bobby Monks tells why and how to reclaim power over your money from brokers and mutual fund managers who put their interests ahead of yours." —PAUL STEIGER, executive chairman of ProPublica and former managing editor of *The Wall Street Journal*
"*Uninvested* hits the nail right on its head. Unfortunately you and I, as individual investors, are the nail. Monks points out directly and fairly that financial firms and money managers have intentionally made investing overly complicated.

He provides individual investors with the groundrules to protect our investments.” —JAMES A. KAPLAN, manager, Global Governance Equity Fund

About the Author ROBERT C.S. “BOBBY” MONKS is a serial entrepreneur who has founded, led, and grown nineteen businesses in the financial services, real estate, media, and technology sectors. Monks was chairman of Spinnaker Trust, managing over \$1 billion in assets. He was chairman of Institutional Shareholder Services, the leading provider of corporate governance and proxy services, and founder and director of Atlantic Bank. He lives in New York and Maine. JUSTIN JAFFE is a writer, researcher, and entrepreneur. He is a cofounder of Rapport, a sustainability software company, and previously was a journalist for CNET and Wired. BREE LaCASSE is a researcher, community builder, and philanthropist working on issues of social equity and resilience.

Excerpt. copy; Reprinted by permission. All rights reserved. —“Sleepwalker Not Dreaming,” SCIENCE NEWS, JUNE 25, 1966

Preface I. We, the investors, have fallen asleep. Sure, we occasionally wake up to glance at our portfolios. We look at our ziggling and zagging account balances. We file—or, more likely, recycle—our monthly statements. Our investments grow or wither. But there’s really nothing for us to do about it. So, back to sleep. Sometimes our sleep is disrupted by uneasy dreams or nagging doubts. How exactly does this whole investment system work? Why did we buy that mutual fund? What caused our account balance to go up or down? What happens to the money we invest? We toss and turn, uncertain of who is managing our money. We hope our financial adviser is the omniscient captain, expertly navigating ever-shifting market currents. But perhaps our portfolios are simply bobbing along the surface of the Dow Jones Industrial Average, ascending when the tide rises and sinking as it retreats. On occasion, we are gripped by nightmares. We fear our own money has been turned against us, invested in companies we deplore. We worry that our capital has made us complicit, endowing the perpetrators of environmental ruin, financial apocalypse, and political dysfunction. There is just so much we don’t know as we sleep. We are only one generation removed from a financial world that was far simpler, more transparent, and less risky than the one we live in now. But the landscape for investors continues to evolve into one that’s more complex, opaque, and speculative. And we grow ever more dependent on financial instruments that are a mystery to us and on money managers whose incentives are obscure. We lie with our eyes closed now, deep in our reverie, but with a dawning awareness that the sheep we are counting are being fleeced. And that they are us.

II. Financial firms and money managers have intentionally made investing overly complicated and then convinced us that we cannot do it on our own. They have elbowed their way into every corner of investing, cultivating a financial intermediary complex that disconnects us from our capital and charges us handsomely for it. Money managers control trillions of investors’ dollars, which makes them highly influential in social, environmental, financial, and political matters. As we have seen after two scandal-driven recessions, their strategy has been to leverage this influence primarily to advance their own interests. Having interacted with the financial sector throughout nearly every phase of my career, I was not surprised to learn of the ethically dubious activity that led to the most recent economic downturn in 2008. Though many well-intentioned financial advisers and money managers serve their clients with integrity, unscrupulous activity has long been pervasive in this industry, though it has been due to systemic deficiencies as much as the behavior of bad actors. What did surprise me, however, was the passivity of investors. Even in the decades preceding the most recent downturn, very few investors enjoyed financial success equal to that of their money managers. Given this, I have long wondered why investors don’t pull their money out of the system en masse. I suspect that it is because most feel powerless. Unaware of the implications of their investments and unable to penetrate the excruciating complexity of the system that facilitates them, many seek refuge in their money managers’ aura of sophistication, pretense of competence, and projection of certainty. It seems to me that most investors are simply sleepwalking through the investing process. They have become uninvested.

III. Discomfited by the increasing dysfunction we’ve observed in the financial sector over the past thirty years, I decided to help investors break out of this unhappy dream state and reinvest in themselves as owners. As a serial entrepreneur whose ventures have included building, buying, and running companies involved in banking and investment services as well as real estate development, media, and technology, I figured I could offer insights from my experience working in and around the financial sector—both as executive and customer, investor and creditor, and almost always as an active, awake, and engaged participant. I started my career by developing real estate projects, which gave me my first taste of dealing with banks and investors as well as an array of state and government regulators. Later, I was a cofounder and served as chairman of the executive committee of Atlantic Bank and Trust. I oversaw activities ranging from capital formation to derivatives to government regulation, and observed firsthand the importance of communication, trust, and transparency in managing other people’s money. I was the chairman of Institutional Shareholder Services and of Proxy Monitor, the two largest global proxy voting services. I worked on the front lines of corporate governance issues, including disclosure and executive compensation, and witnessed the power of organized shareholders in enforcing accountability in corporations. I am an owner of Mediant Communications, which facilitates shareholder communication. This position has enhanced my understanding of the complexity of corporate disclosure and the inherent challenges in giving investors accurate, timely, comprehensible information. Until recently, I was chairman of Spinnaker Trust, a company that has more than \$1 billion under management. This gave me a ringside

view of the inadequacies of modern money management. I am also an owner and director of iiWisdom, a startup dedicated to improving communication between institutional investors and their portfolio companies in order to increase accountability. In 2010, I began to study the financial sector more formally, paying particular attention to the relationship between investors and money managers. I partnered with two researchers, Bree LaCasse and Justin Jaffe, to investigate the mechanics of this sector and its unique role in the economy, hoping to figure out how to counteract its unsustainable trajectory. We are not academics nor are we traditional journalists, though we drew on the excellent and rigorous work of both in writing this book. We spent hundreds of hours researching, reading, and conducting interviews with knowledgeable figures such as Jack Bogle, founder of the Vanguard Group, one of the largest investment management companies in the world, legendary activist investor Carl Icahn, and former congressman and financial reformer Barney Frank, coauthor of the landmark Dodd-Frank Wall Street Reform and Consumer Protection Act. We spoke with dozens of industry insiders in order to gather a wide array of informed insights from a variety of perspectives. We investigated the solutions offered by legislators, regulators, accountants, credit-rating agencies, journalists, and other traditional agents of accountability. To learn how the financial sector got its hands on so much of our money, we examined the changing nature of retirement saving and how it came to drive such a huge share of investment activity. We explored how the vaunted mutual fund came to dominate the landscape through the individual retirement arrangement (IRA) and the 401(k). I also incorporated my own experiences with investing in private equity and hedge funds as well as mainstream products like mutual funds. Some of these entities have invested in my business ventures. Despite the real and major differences among them, I have found that a similar set of problems undermines them all. Indeed, regardless of the point of entry, investors' capital ends up in a monolithic financial system that plays by an asymmetric and nebulous set of rules.