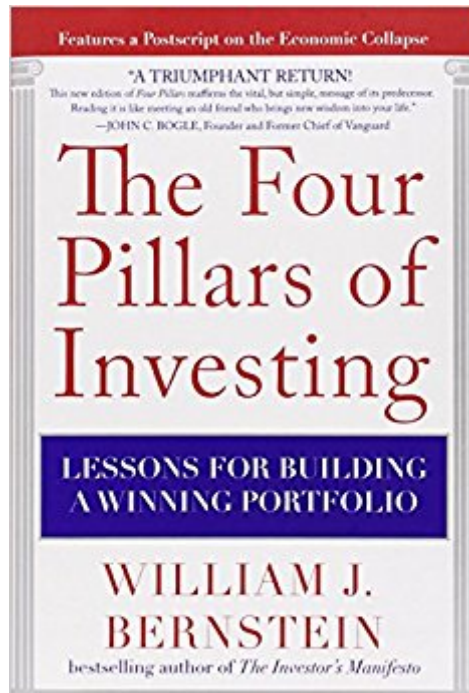


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# The Four Pillars Of Investing: Lessons For Building A Winning Portfolio



## Synopsis

The classic guide to constructing a solid portfolio—without a financial advisor! —With relatively little effort, you can design and assemble an investment portfolio that, because of its wide diversification and minimal expenses, will prove superior to the most professionally managed accounts. Great intelligence and good luck are not required. —William Bernstein™s commonsense approach to portfolio construction has served investors well during the past turbulent decade—and it™s what made *The Four Pillars of Investing* an instant classic when it was first published nearly a decade ago. This down-to-earth book lays out in easy-to-understand prose the four essential topics that every investor must master: the relationship of risk and reward, the history of the market, the psychology of the investor and the market, and the folly of taking financial advice from investment salespeople. Bernstein pulls back the curtain to reveal what really goes on in today™s financial industry as he outlines a simple program for building wealth while controlling risk. Straightforward in its presentation and generous in its real-life examples, *The Four Pillars of Investing* presents a no-nonsense discussion of: The art and science of mixing different asset classes into an effective blend The dangers of actively picking stocks, as opposed to investing in the whole market Behavioral finance and how state of mind can adversely affect decision making Reasons the mutual fund and brokerage industries, rather than your partners, are often your most direct competitors Strategies for managing all of your assets—savings, 401(k)s, home equity—as one portfolio Investing is not a destination. It is a journey, and along the way are stockbrokers, journalists, and mutual fund companies whose interests are diametrically opposed to yours. More relevant today than ever, *The Four Pillars of Investing* shows you how to determine your own financial direction and assemble an investment program with the sole goal of building long-term wealth for you and your family.

## Book Information

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## Customer Reviews

William Bernstein, market historian, scholar, and strategist, writes this new book with the confidence of his experience and the courage of his convictions, just as he did in his earlier "The Intelligent Asset Allocator." The work is an expansion on the theme that you cannot beat the market by timing or hiring active professional fund managers, so allocate, sit back, and enjoy the long-term ride. His advice is equally applicable to the novice as well as the veteran investor. You get a short course on what market returns you should expect, why you cannot beat the market, why the professionals can't help you, and how to set up your own portfolio using index funds. In other words, he has no use for the investment business other than the index funds it produces. Chapter 5 on Manias is an excellent history of economic progress, and obviously the groundwork that led to his soon-to-be-published "The Birth of Plenty" (mid-2004) on the origins of the West's affluence. I particularly appreciated his credit to Hyman Minsky on the pattern of bubbles. Although Kindleberger has covered much of the same ground and with greater visibility in the press, Minsky's contributions are more insightful to understanding the distinct nature of economic manias. Another interesting tidbit is his portrayal of technology as being, in general, a bad business endeavor. Bill Fleckenstein has made this point frequently that technology, unlike Buffett's desired "consumer monopoly," is easily outmoded and supplanted with the new, new thing. Let's just be thankful that earlier entrepreneurs took the time and the risk to create progress. The true worth of the book comes under the heading of "Why investors lose money."

Right up front, I read Bernstein's first book and thought it was a classic. However, it wasn't a huge market success which the author admits for many reasons but it was/is still a fine book (The Intelligent Asset Allocator). Now Bernstein comes back with an even better book from the standpoint of being readable for just about any kind or type of investor, experienced or inexperienced. The math and the charts are still there but with less rigorous emphasis. ...The Four Pillars of Investing is both a historical review of investment success and failure with a very honest discussion of risk and reward. The pillars are the theory of investing, the history of investing, the psychology of investing (which is now recognized as a critical component in understanding why we invest the way we do) and finally, the business of investing. BTW, the humor in many of these chapters has not been lost

either. I don't think your favorite stock broker or investment pro is necessarily going to enthusiastically recommend that you read this book. Much of what is in the new book should be almost automatic wisdom/rules for investors but as we all know, we usually stray far and wide from good advice and common sense. In this post high-tech bubble collapse period, some solid review of investment principles is necessary. Call it back to basics if you will. It's just that Bernstein backs it up with the data to prove his points. What really makes this book different from the first book (for me personally) is that Bernstein has finally put the portfolio construction recipe on paper in Chapter 13 called Defining Your Mix. And now a special message to parents of high school and college graduates: buy them a copy of this book. Don't worry if they don't read it now.

I'm a hedge fund manager, treasurer of the board of a small college, and head of the school's investment committee. I also manage my own personal portfolio. I have a fair amount of experience in the investment arena across many areas. This is the best single book I have ever read regarding investments for tax paying individuals of any economic level. I buy them by the case and give them away to anyone who asks me for advice. All of my family has one! If you take the time to read this book thoroughly and implement an investment plan based upon Bernstein's recommendations there is a high probability you will do far far better than if you try to do things yourself or use any sort of financial professional as an advisor. I am always amazed how people will take years if not decades to amass some personal wealth and then not be willing to put 40 hours or so into understanding how to invest it. The "financial industry" will be happy to do that for you usually at a cost of 2% to 2.5% per year. If you have a 40 year investment period, you could DOUBLE the amount you'll have at retirement simply by avoiding the annual 2.5% fees! Most of the reviewers who criticized this book miss the following key points:- Taxes matter. A lot. Almost all of the data presented by the financial industry is on a pre-tax basis. Private individuals exist primarily in a after-tax world.- Sure institutions may do things differently. They don't pay taxes. If you move things around frequently, taxes will end up being your biggest single expense. Expenses are death to the success of any long-term investment program.

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