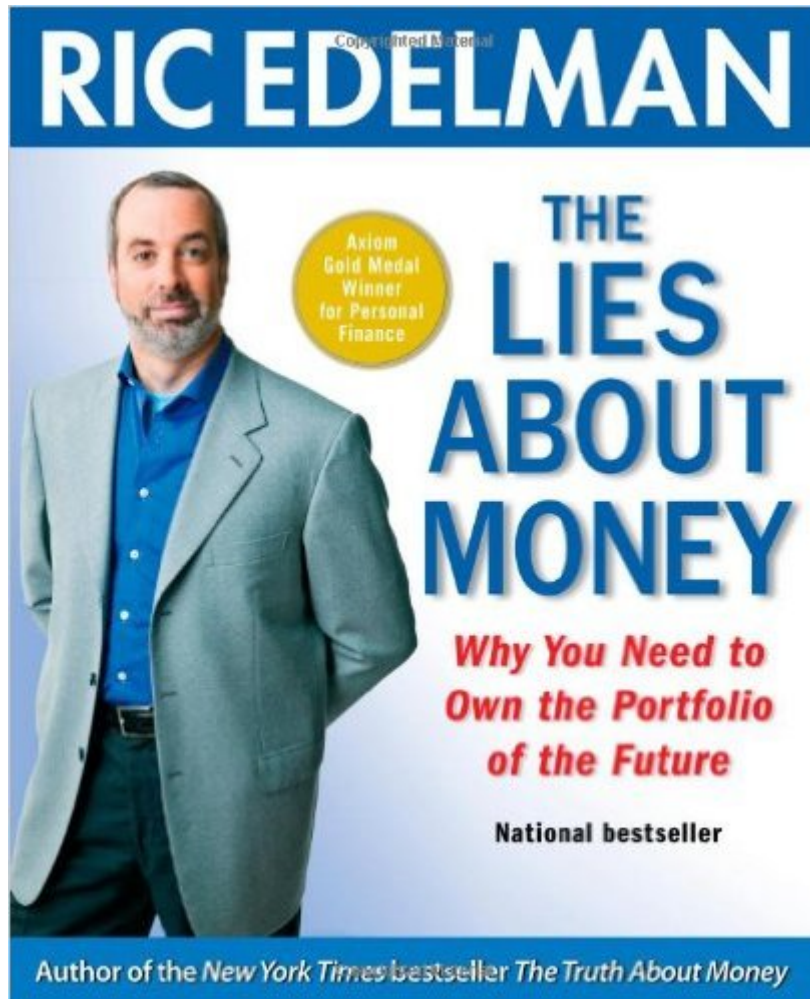


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# The Lies About Money: Why You Need To Own The Portfolio Of The Future



## Synopsis

Ric Edelman, #1 bestselling author of *Ordinary People*, *Extraordinary Wealth*, and the personal finance classic *The Truth About Money*, offers more great wisdom for investors and a valuable insert of sample portfolios that outline everything you need to know about building the perfect portfolio. Ric Edelman has helped more people achieve financial success than any other practicing financial advisor. Now, Ric reveals the deceptive and manipulative business practices occurring in your retail mutual funds practices that are causing you to suffer higher fees, greater risks, and lower returns than you realize. In *The Lies About Money*, he offers you a detailed yet easy-to-follow plan that lets you take back control of your investments and your financial future. Here, Ric shares his most valuable lessons gained through two decades of working directly with individuals and families. He reveals the lies that have infiltrated your retail mutual funds and retirement accounts and teaches you how to invest your money in your employer retirement plan; how to save for college; and for those who are retired, how to generate more income without sacrificing security. He shows you that proper money management has nothing to do with hot tips and everything to do with scientific analysis, bolstered by solid academic research and historical data. Along the way, Ric shows you the secrets to investment success a long-term focus, the importance of diversification, and the crucial need for (and methods of) portfolio rebalancing. With insight and strategies that will change people's lives, *The Lies About Money* offers the truth that everyone is looking for.

## Book Information

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## Customer Reviews

I was really looking forward to this book, as I have read Edelman's previous books and enjoyed them. This book is not a comprehensive how-to guide concerning personal finance, but rather, it is a book written to justify a sea change in Edelman's investment philosophy. The main theme of the book is simple: Mutual fund companies are ripping you off with hidden fees, high expenses and shady dealings. To anyone with a pulse, this should not come as a surprise. John Bogle pointed this fact out 15 years ago, and he has been shouting it from the mountain tops without pausing to take a breath ever since. Anyway, Edelman has apparently FINALLY, after all these years, realized what was going on right in front of his face the entire time. I don't know about you, but a smart guy should have understood this situation within five minutes of opening a financial practice! It does make one question his credibility. I hope this doesn't sound like I'm talking down to him, because I think he really is a very intelligent man who wants to help his clients. I just think he's too caught up in his own version of the world. The way I see it, Edelman has been attacking index funds viciously for decades. He has used perjoratives such as "I hate index funds" from the beginning of his career. Now, he is an indexer in disguise. He refuses to outright endorse the indexing concept, but even a glance at this book will prove he believes in buying almost all the stocks in a given sector and holding them long term without virtually making any changes to the mix. Now, where I'm from, THAT IS INDEXING. I don't care how you dress it up, the guy has recognized the folly of active management. What's more, investigate DFA, the fund company he now endorses.

This book makes some good points: Pay off credit card debt and establish cash reserves before investing Save to the max that you can afford Invest for the long term - you need to be in the market all the time Diversify your assets Rebalance periodically Risk is as important as return Tailor your portfolio for your situation Don't invest in "hot" tips Move your 401(k) to an IRA when leaving your job - don't cash out Life insurance is not an investment Variable annuities can be good for some people (very few situations) Don't let taxes dictate your investment moves Be realistic about how much you will need in retirement Assume modest retruns when calculating how you might have in the future However, there are also some bad ideas: Sell ALL your retail mutual funds and buy EFTs and/or institutional funds. EFTs have a place, but if you are investing small amounts of money often, commissions will eat you alive. Also, the always updated pricing may encourage rapid trading. The institutional funds he refers to are not readily available unless you use an advisor. Place ALL your 401(k) money in stock mutual funds. Maybe good advice for some, but certainly not all people, especially those near retirement, and those who might panic when the stock market crashes. Never let expenses determine your investment strategy. Of course, every investment has fees, but

indexing has the lowest fees, and you can diversify using indexes on the cheap. Edelman provides 43 portfolios in this book. To figure out the right one for you, you have to page through the book, and to find the starting point, you have to go to chapter 7, page 193. Confusing.

Edelman begins by telling us that the retail mutual fund industry is flush with liars, crooks, and charlatans - daily activities include deceit, hidden costs, undisclosed risks, deceptive trade practices and conflicts of interest. Since 9/03 the industry has paid over \$5 billion in fines and more than 80 executives have been barred from the industry or thrown in jail. How does one get rich? Edelman says "Start saving!" If you buy a pack of cigarettes and a latte every day, you'll enter retirement with \$2.8 million less than otherwise. To get all the profits you must be invested all the time. A study found that the S&P 500 from '97-'06 went up 8.4%/year, 2.2% if you missed the ten best days, 0% if you missed the 15 best. Buy and hold strategy pays less than half the taxes of short-timers and less transaction costs as well. Another example of the value of constancy. A review of the top 25% of all stock funds for ten years ending 12/31/06 found 90% were below the average for at least three consecutive years, and more than half for five. A Business Week sponsored study compared \$1,000 in the S&P stock index 1/1/26 to 12/31/06 yielded \$30 trillion, vs. in and out to t-bills in the months after the market rose/fell (\$3 million). Best results came from being diversified into all 16 major markets, especially with periodic re-balancing. Other reported findings include small stocks, value stocks, poorly run companies, and bonds with shorter maturities produced better results. It was also interesting to read that the overwhelming portion of portfolio volatility is determined by how one allocates assets among various asset classes and market sectors - not through market timing or stock selection.

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