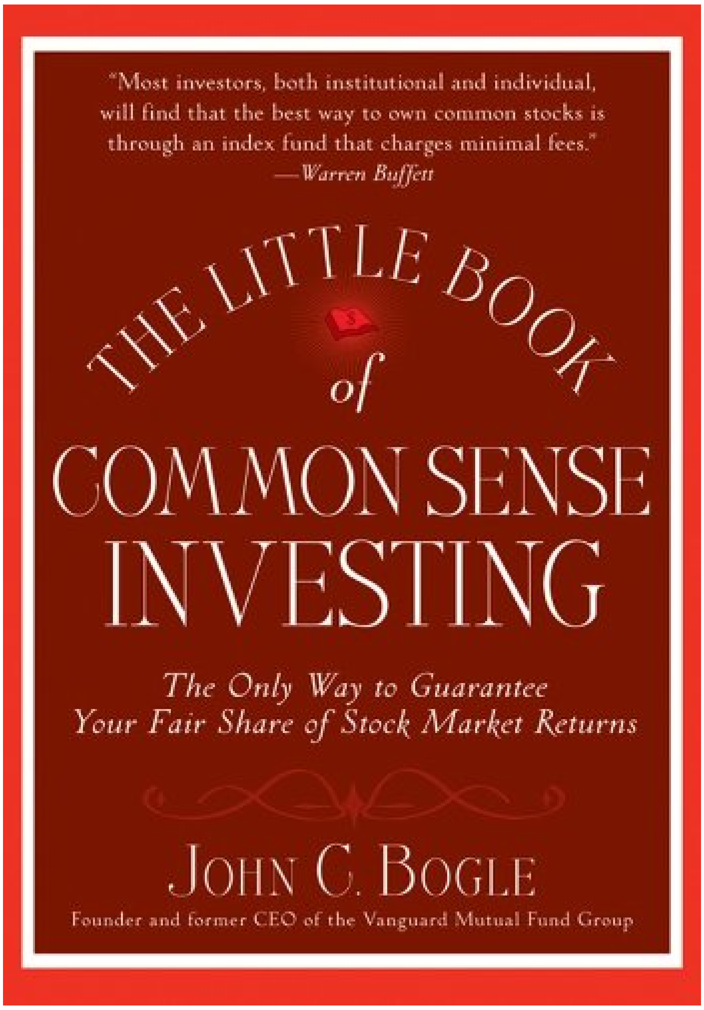
The Little Book Of Common Sense Investing: The Only Way To Guarantee Your Fair Share Of Stock Market Returns (Little Books. Big Profits)



Synopsis

â œThere are a few investment managers, of course, who are very good â “ though in the short run, itâ ™s difficult to determine whether a great record is due to luck or talent. Most advisors, however, are far better at generating high fees than they are at generating high returns. In truth, their core competence is salesmanship. Rather than listen to their siren songs, investors â “ large and small â “ should instead read Jack Bogleâ ™s The Little Book of Common Sense Investing.â • â “ Warren Buffett, Chairman of Berkshire Hathaway, 2014 Annual Shareholder Letter. Investing is all about common sense. Owning a diversified portfolio of stocks and holding it for the long term is a winnerâ ™s game. Trying to beat the stock market is theoretically a zero-sum game (for every winner, there must be a loser), but after the substantial costs of investing are deducted, it becomes a loserâ ™s game. Common sense tells usâ ”and history confirmsâ ”that the simplest and most efficient investment strategy is to buy and hold all of the nationâ ™s publicly held businesses at very low cost. The classic index fund that owns this market portfolio is the only investment that guarantees you with your fair share of stock market returns. To learn how to make index investing work for you, thereâ ™s no better mentor than legendary mutual fund industry veteran John C. Bogle. Over the course of his long career, Bogleâ ”founder of the Vanguard Group and creator of the worldâ ™s first index mutual fundâ ”has relied primarily on index investing to help Vanguardâ ™s clients build substantial wealth. Now, with The Little Book of Common Sense Investing, he wants to help you do the same. Filled with in-depth insights and practical advice, The Little Book of Common Sense Investing will show you how to incorporate this proven investment strategy into your portfolio. It will also change the very way you think about investing. Successful investing is not easy. (It requires discipline and patience.) But it is simple. For itâ ™s all about common sense. With The Little Book of Common Sense Investing as your guide, youâ ™ll discover how to make investing a winnerâ ™s game: Why business realityâ ”dividend yields and earnings growthâ ”is more important than market expectations How to overcome the powerful impact of investment costs, taxes, and inflation How the magic of compounding returns is overwhelmed by the tyranny of compounding costs What expert investors and brilliant academicsâ ”from Warren Buffett and Benjamin Graham to Paul Samuelson and Burton Malkielâ ”have to say about index investing And much more Youâ ™ll also find warnings about investment fads and fashions, including the recent stampede into exchange traded funds and the rise of indexing gimmickry. The real formula for investment success is to own the entire market, while significantly minimizing the costs of financial intermediation. Thatâ ™s what index investing is all about. And thatâ ™s what this book is all about.

Book Information

File Size: 1914 KB

Print Length: 216 pages

Publisher: Wiley; 1 edition (May 18, 2009)

Publication Date: May 18, 2009

Sold by:Â Digital Services LLC

Language: English

ASIN: B008W02TIG

Text-to-Speech: Enabled

X-Ray: Enabled

Word Wise: Enabled

Lending: Not Enabled

Enhanced Typesetting: Enabled

Best Sellers Rank: #19,319 Paid in Kindle Store (See Top 100 Paid in Kindle Store) #3 inÂ Kindle Store > Kindle eBooks > Business & Money > Investing > Stocks #5 inÂ Books > Business & Money > Investing > Mutual Funds #16 inÂ Kindle Store > Kindle eBooks > Business & Money > Finance

Customer Reviews

John Bogle created the world’s first index fund in 1975. In this book, he describes why you should make index funds the core of your investment portfolio.Bogle starts off with introducing index funds through a parable that describes how middle-man costs in finance eat away at investors’ profits. He discusses why speculation doesn’t work and why business reality (in his definition, divident yields plus earnings growth) is more important that market expectation (changes in P/E based on what investors are willing to pay for various equities).Bogle spends a few chapters discussing various problems with regular actively managed mutual funds, covering issues with performance (he asserts that less than 1% of all mutual funds were able to beat the market consistently over the past half century), various costs (expense ratios, sales charges, advertising fees, turnover costs, tax implications), poor market timing, and finally the difficulty of choosing a mutual fund (he states that there’s no good way to pick a fund, since we can’t foretell the future, and past performance is not an indicator of what’s to come). He brings the reader to the "common sense" conclusion that index funds, in their pure simplicity, are the logical choice for any investor, as they provide the diversified return of the entire market with miniscule fees and minimal effort.The last few chapters cover bond funds, ETFs, and a few pages of investment advice - which boils down to keeping at least 50% (if not all) of your money in broad-market index funds. Interestingly, Bogle spends a chapter discussing what Benjamin Graham would have thought about index funds, citing various quotes from Graham's "The Intelligent Investor" and certain blurbs from Warren Buffet.

Who better to make a straightforward argument for the index mutual fund than the man who developed the first of its kind for Vanguard in 1975. The stock market offers the return of the businesses it represents to investors. These returns are not received, because rather than 'buying' the market with a fund that tracks those returns, investors are sold actively managed funds that try to outperform the market and in the end dilute those returns with crippling fees and costs from excessive trading. The argument has been made by other distinguished writers in recent years, but investors will find this industry giant's take on the matter forceful.What's new is Bogle's sobering expectations for future market returns. Over the past century companies have produced a 4.5% dividend yield and a 5% earnings growth rate (9.5%) for investors - before actively managed fund costs have stripped away much of that wealth. Today dividend yields on equities are under 2%. Earnings growth rates in the future may or may not be lower than the historical average. What seems apparent is that investors are less willing to pay for those earnings than they have in the past - as measured by a decline in price earnings ratios. Bottom line: we may be looking at a period of market returns of just 7-8%, and after all the "intermediary" costs of the mutual fund industry, investors will see that return dramatically reduced. This is why costs matter. The index mutual fund is the least expensive way to get the market's return into your pocket. Unfortunately, many 401 (k) retirement plans do not include some of the key U.S. and international indexes recommended by Bogle.

know the stock market has bottomed? (Market Crash, Intelligent Investor, Stock Market, Financial Freedom, Stock Valuation, Wealth Creation Book 1) You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits Penny Stocks: Complete Beginners Guide To Building Riches Through The Stock Market (Penny Stock Mastery, Penny Stock 101) Index Funds: Building Your Road To Riches With Index Fund Investing (Investing, Bond Investing, Penny Stocks, Stock Trading) You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market P Demographics and the Stock Market Crash of 2015 - 2016: Baby Boomer Retirement and How to Survive the Stock Market Crash and The Coming Economic Depression (WDS: World Demographics Series) The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit (Little Books. Big Profits) Stock Market Investing for Beginners: Essentials to Start Investing Successfully The Honest Guide to Stock Trading: Make Market-Beating Returns. Achieve Long-Term Wealth. The Little Book That Beats the Market (Little Books. Big Profits) The Little Book That Still Beats the Market (Little Books. Big Profits) Penny Stocks: Investors Guide Made Simple - How to Find, Buy, Maximize Profits, and Minimize Losses with Penny Stock Trading (Penny Stocks, Penny Stocks ... Trading, Penny Stock Trading For Beginners) Step by Step Investing Bundle (4-Book Set): Your Complete Investing Strategy for Stocks and Bonds in Four Investing Books Options Trading:: Simplified Options Trading Guide For Generating Profits On An Ongoing Basis (Options Trading Strategies, Investing, Day Trading, Stock Options,) The Neatest Little Guide to Stock Market Investing: Fifth Edition