

CHAPTER 1

The Woeful State of Personal Investing and the Need for Change

A VIEW FROM MAIN STREET

As I fiddle with the overhead projector at the front of the room, people start to file in for the first session of an investing class that I teach at Montgomery College just outside of Washington, D.C. They find their seats, and as I turn to face the group of about 20 people, I see a cross-section of the U.S. public. Most are older and probably retired. Many are middle-aged and in their peak earning years. There are a surprising number of younger people who look like they are fresh out of college and just starting their earning careers. And, as usual, there are more women than men.

I know that these students are not day traders and few, if any, are experienced personal investors. These are average people with money to invest and they simply don't know how to navigate the world of personal investing. I note that many have brought folders with them that I suspect contain broker statements they do not understand. At some point, either before or after class, they will spread these statements in front of me hoping that I will be able to decode them.

The overwhelming majority of people who attend my classes have off-loaded their portfolios, some of which are quite substantial, to advisers and brokers because they have no confidence in their

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own ability to make investing decisions. But as they have watched their portfolios stagnate or erode while being charged significant fees, these individuals have reached a breaking point. They have had enough of standing on the sidelines and watching their hard-earned savings fade away without understanding how or why. They want to understand and have more personal control of their portfolios, either by making their own investing decisions or at least being able to challenge their adviser's recommendations, but they don't know how. They have found their way to my class hoping against hope that it will be their first step toward becoming a more confident and independent investor.

Yet, students enter the class skeptical. Many believe they are about to hear a sales pitch from a broker or a financial adviser. They have experienced this many times before and are fully prepared to be disappointed if it happens again. Others believe they are about to learn new ways to pick stocks and mutual funds based on an incredibly successful trading system I am promoting. Still others believe I will be trying to persuade them to buy specific stocks or funds on which I receive commissions.

Therefore, my students are typically surprised when I tell them that I am not selling anything, that I am not going to give them specific investment recommendations, and that I will not reveal to them a shortcut to investing riches.

I tell them that I am a professional educator, not a professional salesman, and that what I am about to teach in this class is nothing short of a totally new approach to personal investing. They look at me with surprise when I tell them that this new approach will require that they forget most of what they have learned about investing to this point. I tell them that the only prerequisite to taking this class is that they clear their minds and be open to new investing methods that most of their advisers or brokers will look upon with the utmost of disdain. I tell them that what they learn over the next 12 hours of class work will enable even the least experienced among them to become confident, independent and successful investors. At this point, while many facial expressions show disbelief, I at least have their attention.

What I teach my students in the classroom is what I will teach you in this book. I therefore give you the same advice that I give to my students. Clear your mind of preconceived notions of how personal investing works. Open your mind to new ideas. Don't compare

what you read here to what you have read or been told elsewhere until you finish the book. Then decide if this new approach makes sense for you.

You are now a student of a radically new way of investing that takes the power out of the hands of salespeople and third party “experts” and puts it squarely into yours. By picking up *The Perfect Portfolio* you have shown that you are ready, willing, and able to accept the challenge.

The Current State of Personal Investing

Why is a new approach to investing needed? The answer is, unfortunately, because the world of personal investing today is broken. The financial services industry is not meeting the needs of people who are seeking to learn how to take more personal control of their portfolios. As a result, the investing public wants, needs, and demands change.

In my position as a teacher of personal investing and as President of the multi-thousand-member National Association of Online Investors (NAOI), I have the opportunity to interact with the investing public on a daily basis. I talk with hundreds of individual investors every year. I can see in their faces and hear in their voices that they are confused and often intimidated by the world of personal investing as it currently exists. When seeking to learn how to cope with this world, they are confronted with hundreds of investing books, countless newsletters, nonstop seminars for trading systems promising instant success, sales pitches from hoards of financial advisers, and a constant barrage of information from the financial media. The world of personal investing today is simply overwhelming for the average person trying to protect and grow their savings.

When confronted with this chaos, most people simply give up in despair and give their portfolios to financial advisers to manage. In essence, they are entrusting their financial futures to strangers who are far too often salespeople with fancy financial credentials. This situation is clearly unacceptable. But what can we do? What can we change?

I realized early in my teaching career that people did not simply need more investing tools, more information, or more expert financial advice. Rather, the public told me that they needed nothing less than a totally new approach to investing. They wanted a greatly simplified approach that would enable them to take more personal

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control of their portfolios and to effectively manage their investments on their own with confidence. To meet this goal, I developed the revolutionary Perfect Portfolio Methodology (PPM) approach to investing which I explain in this book.

The PPM greatly simplifies the investing process. It shows you how to create an incredibly powerful portfolio using only nine key Asset Building Blocks. It frees you from the tedious process of analyzing individual stocks and mutual fund styles. And it gives you a logical structure for designing a portfolio that meets your unique needs and is responsive to changing market conditions. In short, it fixes what is broken in today's personal investing market.

But before presenting a solution, it is beneficial to understand the problem the solution is designed to address. The purpose of the next section of this chapter is to shine a bright light on the obstacles that individual investors face today. In doing so, I hope to convince you that a new approach to personal investing is needed. I also show in this first chapter that a new approach is possible and what it will look like.

I begin by illustrating the problems faced by average people with money to invest using the words of students in the personal investing college classes I teach.

Questions from the Classroom

It is 9 P.M. on a blustery March night. I have just finished a three-hour session of my class, titled "Effective Investing Using Online Resources," at Montgomery College on the outskirts of Washington, D.C. This is one of four weekly sessions that make up the entire program.

While the class is officially over for the night, I know that it is not finished. Students are lining up at my desk to speak to me one on one. Each wants to discuss a personal finance issue that they do not feel comfortable raising during class. Even though it is late, everyone is tired, and they are missing *American Idol*, they stand patiently, folders in hand, waiting for their turn to engage in a private conversation about their mysterious financial situation.

My students know that I am not a registered financial adviser. I told them at the beginning of the class that I cannot give them specific investment recommendations. But this is not what they are seeking. They simply want to talk to a knowledgeable and objective

third party who is not selling anything and whom they feel they can trust. So they wait.

It would not be hard for me to simply list the problems faced by individual investors today. But a sterile list of such items would not do the topic justice. The full scope of the problem is better understood when presented within the context of real-life, human experience. These are experiences that I believe you may be able to identify with on a personal level.

Each of the following questions and related discussions represents a real issue presented to me by a student whom I will refer to by first name only. These are only representative examples of hundreds of similar issues that I address every year. Taken as a whole, they tell me that the world of personal investing today is not a friendly place in which to travel and is in desperate need of change.

Margaret—The Problem with Advisers

Margaret is a 58-year-old teacher who has over \$500,000 of investment money. She has entrusted it to an adviser to whom she pays a yearly fee of 2 percent of the total amount invested. The returns she has been receiving have been less than market averages and she is concerned. She knows little about investing (which is why she is attending my class) and has put her complete faith and trust in her adviser. She suspects something is wrong but does not even know the questions to ask of the financial professional with whom she is working. She is afraid to offend him by challenging his judgment. In a one-on-one discussion following the class period, she shows me her latest broker statements and asks for my comments.

A quick scan of her statements reveals a list of rather mundane mutual funds, all of which have a load, which is nothing more than a sales commission to the broker/adviser. I ask to see an investing plan that the adviser has developed defining her investing goals, time horizon, risk tolerance, and so forth. None exists. I ask to see a prospectus for each of the funds in her portfolio. I am handed glossy marketing brochures instead.

Her portfolio is very poorly thought out and ill-designed. It seems there was little effort made to find investments that meet Margaret's unique goals and risk profile. It is clear to me that the main driving force behind this random mix of funds is to earn commissions for her adviser.

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While most financial advisers are ethical, many are not, as this example illustrates. Biased advisers looking to maximize their income with commissions are one symptom of a financial services industry that is not serving the public well. Margaret is by no means the only one of my students who has shown me a portfolio that is designed to meet the goals of the adviser as opposed to the goals of the investor.

My advice to Margaret is to use the worksheets and Web sites I provide in class to perform a complete due diligence process on each fund she owns. (I provide many of these same resources to you in upcoming chapters.) I tell her to look at the risk, return history, and expenses of each, and then compare these factors to other funds in the same category. Web resources that I show her make such an analysis quick and simple. Armed with this information, she will be able to sit down with her adviser and have a meaningful discussion. She will be able to ask relevant questions and expect reasonable answers. If she does not get them, I suggest that she either look for another adviser or, better still, implement the new approach to investing that she is learning in my class.

John—The Problem with Expert Stock Recommendations

John is a 42-year-old lawyer. He has an adviser who manages a portion of his portfolio but he also likes to invest some money on his own. He came to me with a list of stocks that he had heard recommended on a Saturday morning TV talk show about investing. I could tell that he wanted me to give my blessing to this list of stocks, as he was quite excited about their potential.

I asked him if he had done his own due diligence on each stock. No, he had not. After all, he had received these recommendations from experts. I asked where in his investment plan these stocks fit. Is he looking for long-term growth or short-term profits? He responded that he just wanted to make some quick money.

I asked if he had thought about a trading plan for each stock that, should he buy it, defined price exit points for stopping losses and taking profits. No, he had not. I asked if the TV program he had seen recommended a different set of stocks every week with the same amount of enthusiasm. Yes, he supposed so. Therefore, I pointed out, the day he watched the show was a major determinant of his investing strategy. He did see the absurdity of this.

John is a smart man. He should know that the financial media are tasked with one objective and one objective only: to attract viewers so they can raise advertising rates. And audience surveys have shown that the financial media (TV, newspapers, radio, magazines) get the most eyeballs when they dole out stock recommendations with great enthusiasm. So they do, dozens per day, hundreds per month, and thousands per year.

Are there really that many excellent stocks so underpriced in the market that they are screaming “*buys*”? The answer is no. And should the stocks you buy depend on the day you watch a TV show or read a magazine? Again, the answer is no. Far too many people believe they can gain an advantage in the market by taking the advice of experts in the financial media. They can’t.

My advice to John was to turn off the TV. Barring that, I suggested that he watch investing programs only for their entertainment value and perhaps to get stock buying ideas. He should then perform his own due diligence by researching each stock of interest. He was learning how to do this in my class. John was not particularly happy with my response to his questions but agreed that it made sense.

Here is a second reason why I contend that the world of personal investing is broken. The environment is filled with investing *entertainment* that too often substitutes for serious investing research. The public eats up frenetic stock recommendation shows on TV and often gets financial indigestion by making impulse trades based on what they see and hear.

Suzanne—The Problem with Selling Investments

Suzanne is a high-ranking government employee of Chinese ethnicity who needed more investment income to pay for her son’s college tuition. She employed a friend of the family to advise her.

The friend recommended a mutual fund concentrating on Chinese firms and she showed me the fund prospectus. I immediately saw that the risk of the fund in terms of volatility was very high, and probably not appropriate for Suzanne’s risk profile.

I pulled up a price chart on my computer for the fund, using a financial Web site, and saw that it had returned over 50 percent during the first six months that she owned the fund. It then started to drop, and at the time of our conversation, it was down 25 percent

from her purchase price. She was obviously concerned and asked for my advice.

I see this all too often. People buy investments without a plan for selling them. I teach people to divide their portfolio into two segments: a Core Segment and a Target Market Segment. (I discuss these concepts at length in upcoming chapters.) The Core should contain broad-based mutual funds that are buy-and-hold investments. History shows that over the long term they will go up at a predictable pace and with relatively low risk. I recommend that riskier investments go into the Target Market Segment of the portfolio. Here is where more volatile funds, such as the one Suzanne showed me, should be placed. For each of these riskier investments, a trading plan must be put in place at the same time the investment is purchased.

A trading plan is essentially an exit strategy. Price points need to be set for stopping losses and for taking profits. These investments then need to be monitored and sold based on these exit points. The Web, fortunately, allows this to be accomplished automatically, as you will learn in this book.

Suzanne was unfamiliar with the trading plan concept. She simply bought the China fund with no thought of when to sell. So the fund earned for her a nice profit that she did not take. She held the fund and it fell. Now she wanted to know what to do and her adviser friend offered little help.

Here is yet another area where the financial services industry fails the public. Advisers and so-called experts are very good at promoting the purchase of investments, but they tend to ignore the equally important action of selling them. Even though Web resources are freely available that enable individuals to easily put in place an automated selling plan for each investment they buy, few even consider doing so. As a result, they simply buy and hold volatile investments that should be sold in accordance with a trading plan. All portfolios have a place for buy-and-hold investments and a place for buy-and-sell investments. There is, however, no place for buy-and-forget investments.

My advice to Suzanne was to assume that she had just bought the fund yesterday. We used the Web to look at a price chart for the fund to define exit points. I then showed her how to use a Web resource to place automated stop-loss and take-profit selling points for the fund. While still facing a loss on this fund, she was happy that she now, at

least, had a plan for moving forward with not only this investment but also with all others in her portfolio.

Mike—The Problem with Trading System Seminars

Mike is a 62-year-old retired government worker. His wife is also retired, and they live on a fixed income. He came to me very excited about a stock-trading seminar he had attended in the past week. He owned a Web-connected home computer and envisioned a future in which he could use this stock-trading system in his spare time to generate significant income. The initial training session and software for the system cost about \$5,000 and monthly data feeds cost about \$150. He wanted my opinion on whether he should sign up for the program as he handed me a very, very glossy brochure.

I see this question so often that I should simply tape-record my thoughts and hit the play button. Stock-trading systems and related seminars are very successful and profitable—for the company that sells them. The systems are typically based on the user looking at stock price charts that are overlaid with a variety of indicators. These indicators measure aspects of the price charts such as trends, money flow in or out of the stock, strength of price movement, and so on. This type of activity is called *technical analysis* (TA), and is a very sophisticated technique used by scores of professional investors.

Yet the seminar system made TA look very simple. Mike was told that all he had to do was run a screening program every day to find stocks showing the most promising set of technical indicators and buy the stocks that showed the most green arrows lined up on the chart. This is—I don't know how else to describe it—pure garbage.

Technical analysis and the study of price charts is not an easy field to master. Professional investors spend years learning the craft and use very powerful computers to predict stock price movements based on price and volume indicators. The chances that an average person sitting at a home computer finding stocks poised for major moves upward based on TA that the professionals have missed are slim and none. Mike was about to fall for a pitch that made a very complex effort seem like child's play. He was about to buy snake oil.

Instead of putting it so bluntly, I queried him about the dynamics of the three-hour seminar he attended. Were the presenters all tall, tanned, immaculately dressed men? Yes. Did they seem like they wanted to be your personal friend? Yes. Did they try to get the

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crowd worked up into a frenzy by soliciting loud group responses to such questions as “Who here wants to be rich?” Yes. Were questions banned during the slide presentation because of time constraints? Yes. Did they present any independent analysis of the performance of stocks that the system rated highest? No. Were slides shown presenting testimonials from incredibly successful traders? Yes. Did the speakers mention the full price of the training, the software, and the ongoing data feeds during the presentation? No. Was there a special discounted price offered if you signed up that night? Yes.

Being a smart man, Mike began to see that he was not thinking clearly. He wanted so badly for this trading system to work that he was oblivious to the overt signs of manipulative marketing. The entire seminar was a well-crafted marketing show aimed at creating massive groupthink and impulse buying. The product just happened to be a stock trading system. It could just as easily have been oil wells in Antarctica.

As a final push that closed the door on this potentially bad decision, I asked Mike to consider why the presenters were traveling the country, staying in hotels, eating rubber chicken, and being away from their families giving these seminars. Why aren't they simply sitting in the comfort of their homes growing rich using the very system they are promoting? I watched, with no particular satisfaction, as Mike threw the brochures in the trash. I was dismayed yet again by another piece of evidence that the world of personal investing is not a friendly place for the individual investor who is desperately seeking answers.

Amy—Where Do I Start?

Amy is just entering the work force after graduating from college. She is 24 years old and starting to earn enough money to put some in an investment account. She tells me that nowhere in school, at any level, had she been taught even the basics of investing. She has seen advertisements for dozens of online brokerages, fund companies, and full service brokers and advisers. She approached me in private to discuss a question that she was embarrassed to ask in class: “Where do I start?”

This is not an embarrassing question at all. It is one that people at all stages of their investing careers should ask if they are not satisfied with the performance of their portfolios.

Amy's question illustrates very clearly two points. First, young people today are not being taught one of life's most important skills, namely how to invest so they can protect and grow the wealth they work so hard to earn. Second, when seeking to start their investing career, they see no clear path to learning how to take personal control of their investments. As a result, most people simply throw up their hands in despair and give their portfolios, and their financial futures, to a third-party adviser.

People like Amy deserve better. My comment to her was "I'm glad you are taking my class on personal investing." I knew that upon completing the class she would be far less vulnerable to the predatory practices that are so prevalent in the financial industry today. And she would have the knowledge, structure, and resources she needed to start a productive investing career with confidence.

A Troubling and Unacceptable Environment

The aforementioned questions are but a few of the hundreds I hear every year from not only my students, but also members of the National Association of Online Investors, of which I am President. I also hear similar questions in social situations and from people I interact with every day outside of my professional activities. These people include store clerks, taxi drivers, waiters/waitresses, people on the subway, and others with whom I engage in even the most casual conversations. The stories I hear are often heartbreaking. Good, honest, hardworking people have strived for years to accumulate savings. Now they need to protect their money and manage their portfolios in a manner that increases their wealth, income, and financial security. Yet the financial services industry slams them with sales pitches and commissioned advice instead of giving them education and empowering their ability to think on their own. This is a disgraceful state of affairs and a problem that must be addressed.

Let's summarize, review, and shine a bright light on the obstacles placed in front of individual investors today:

- *Adviser Bias:* There are good advisers and there are bad advisers. Very few are actually corrupt, but far too many are more concerned with making commissions than with giving good advice. You should always keep in mind that advisers make commissions when you buy what they sell, even if what they

sell are not the best investments available for you. Margaret's question illustrated this problem.

- *Expert Opinions and the Financial Media:* Why do we trust people just because they are on TV, on the radio, or quoted in print? Why do we confer on them *expert* status simply because they look good and speak well? It is because we are looking for someone to tell us what to do in a world filled with noise and chaos. We too often want to believe other people so we don't have to think for ourselves. We want to be led when we find ourselves in unfamiliar territory. The fact is that the so-called experts in the financial media are typically little more than entertainers. Relying on them to guide our investing decisions is a recipe for disaster. This was my student John's problem.
- *The Investing Marketing Machine:* The marketing of dubious trading systems and stock investments is a billion-dollar industry. Incredible sums are spent getting glossy brochures into your hands and slick infomercials onto your TV screen. That's the problem. The money is spent on marketing, not on investing research or developing better education and analysis tools. The investing marketing machine is all about separating you from your money, not showing you how to accumulate more money. Always remember this: Any sales pitch that promises quick investment riches with little risk and no work is simply not true. Yet millions of individuals every year forget this bit of common sense and fall prey to the investing marketing machine. And many individual portfolios are ruined in the process. My student Mike almost fell into the jaws of this beast.
- *The Lack of Serious Investing Education:* There is a dirty little secret in the financial services industry today that is so repulsive that it is rarely even hinted at. The success of many financial professionals depends on you, the individual investor, being dumb. That may sound harsh, but as a person who has dealt with financial service organizations for decades, I know it to be true. If the public were well educated in the basics of investing, advisers would not get away with selling inferior products. An educated public would not spend an excessive amount of time looking for stock recommendations on TV and in magazines. And an educated public would certainly see the problems

inherent in stock-trading systems that make investing seem as easy as lining up green arrows on a chart. There is little or no incentive, unfortunately, for financial service providers to offer you comprehensive and unbiased investing education. It is bad for business. As a result, quality investor education is virtually nonexistent. The offerings of the National Association of Online Investors, found at naoi.org, are an exception. My student Amy was a victim of the complete lack of serious investor education during her student years.

These problems are symptoms of a financial services industry that is not serving the public well. Instead of providing an education-rich environment where people are encouraged to learn how to invest and how to take personal control of their investments, the industry concentrates on making sales.

The Need for and the Nature of Change

In light of these problems it is obvious that change is needed. But what do we change?

We will not be able to change the financial services industry I have described here. It is a multibillion-dollar industry that is firmly entrenched, and tens of millions of people depend on it in its current form. All we can do about the existing problems in the world of personal investing is to recognize, understand, and avoid them. We cannot change them.

The only change that we, as individual investors, can make is in how we approach the world of investing. We can either let third parties and the financial services industry control our portfolios or we can take charge of creating and securing our own financial future, using an approach that enables us to bypass the pitfalls described earlier in this chapter.

The choice is clear. A totally new approach to personal investing must be developed. What should this approach look like? Answering this question is where we go to next.

Goals of a New Approach to Investing

The overall goal of any new approach to investing must be to enable you to take more control of your portfolio. It must empower you to become more personally involved in the investing process

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and to make informed investing decisions with confidence. My 10-plus years of working with the investing public have shown me that to be effective this new approach must:

- *Be Easy to Understand:* The study of investing is broad, complex, and intimidating to most people. The new approach must simplify this overwhelming field of study and focus on only the most important factors. It must be short on theory and long on pragmatic actions. It must teach fundamental investing principles in a manner that can easily be understood and in such a way as to enable you to translate this knowledge into concrete actions.
- *Be Simple to Implement:* In today's personal investing environment, when attempting to build a portfolio, you are faced with the daunting task of choosing from among thousands of stocks and mutual funds. The new approach must provide a structure and methodology that enables you to focus on a much smaller and more manageable universe of investments without sacrificing returns potential.
- *Be Easy to Monitor and Change:* The new approach must enable you to use Web-based resources that can automatically monitor your portfolio continuously and trigger alerts to you when changes are needed or attention is required. It must not require that you spend hours per day or per week sitting in front of a computer to monitor and change.
- *Enable Superior Returns without Excessive Risk:* Current portfolio-building theory maintains that higher investment returns come only at the cost of higher risks. It does not take into account the idea that personal involvement in the investing process can reduce risk. The new approach must enable you to achieve higher returns through increased involvement in the investing process instead of requiring that you accept higher risk.
- *Be Responsive to Changing Market Conditions:* Today's market environment is dynamic. A new approach to investing must give you the tools you need to recognize market catalysts when they occur and then enable you to respond quickly and easily to these changes by adjusting your portfolio to either avoid losses or to take advantage of opportunities.

- *Be Customizable:* The new approach must be usable by all investors, from novice to experienced, from conservative to aggressive, and from people who prefer to work totally on their own to people who prefer to work with an adviser. It must enable you to build a portfolio that meets your unique investment goals and investing style.

Input from hundreds of individuals tells me that these are the benefits that the public wants and needs from a new approach to personal investing. They want an approach that will simplify the entire investing process and empower them to take personal control of their portfolios. They want to decrease their dependence on third-party advisers. They want an approach that will enable them to bypass the perils and ignore the chaos of the financial industry that exists today. And they want an approach that will enable them to achieve returns that have the potential to significantly exceed market averages without subjecting them to excessive risk.

These are lofty goals. Is it possible to develop an approach that meets them? The answer, of course, is yes or this book would not exist. The PPM approach you will learn in this book is designed to meet these goals.

Enablers of the New Approach

I have set forth exceptionally high requirements and goals for a new approach to personal investing. New resources and new ways of thinking will be required to meet them. Fortunately, they exist. In this section, I describe three basic enablers of the Perfect Portfolio Methodology that I present in this book. These enablers give you just a hint of what you will learn in the chapters to come.

1. *A New Strategy and Methodology for Portfolio Design:* The problems faced by individual investors today exist in large part because the methods used for designing and building a portfolio are becoming tired and outdated. We have been faced for decades with portfolio construction methodologies that involve complicated asset allocation and diversification theories. We have been asked to sort through thousands of stocks and fund styles to develop a mix of investments that fall on a chart line called *the efficient frontier*. The complexity of this

traditional methodology drives most people directly into the open arms of the adviser community I warned you about earlier in this chapter.

The new portfolio design and construction methodology presented in this book will involve investing in total asset classes and total markets instead of individual stocks and funds. As an example, for the stock component of the Core Segment of the Perfect Portfolio (discussed in Chapters 2 and 3), we will invest in the total U.S. stock market and in the total foreign stock market. For the bond component, we will invest in the total U.S. bond market. In the Target Market Segment of the portfolio (discussed in Part II of this book) we will invest in five asset classes using only one investment for each. By using this strategy, your investment choices are reduced from thousands to a total of nine. Sound radical? Don't worry, I explain the why's and how's in the next chapter.

2. *New Investing Vehicles:* The revolutionary new approach described in this book would not have been easy to implement just a few years ago. Now it is simple because of the availability of a relatively new type of investment called the Exchange Traded Fund, or ETF. An ETF is a single investment that trades like a stock, yet holds a basket of stocks or bonds like a mutual fund. We can thus place entire asset classes and entire markets in our portfolio by purchasing one simple investment. I discuss these new investing vehicles in Chapter 2 and explain how this type of investment is a key enabler of the Perfect Portfolio approach to investing.
3. *Powerful Web Resources:* The third enabler of the new approach is a set of Web investing tools that provide powerful portfolio creation, monitoring, and trading capabilities. It should be no secret that the Web contains a wide array of investing tools. But they are so numerous that many people are overwhelmed when looking to the Web for the resources they need. I point you to the specific Web resources that enable you to implement the Perfect Portfolio Methodology in this book and there are only a few. You will build a Web-based toolkit that consists of the very best resources for finding, analyzing, selecting, and monitoring the best investments for building a Perfect Portfolio that meets your unique goals.

These tools make the Perfect Portfolio approach to investing possible and they are all free to use.

These are the basic enablers that make a new approach to investing possible. You will learn about each in detail in the chapters that follow.

Chapter Summary

I described in this chapter the woeful state of personal investing as it exists today. I have illustrated through the words of my students the incredible obstacles that individuals face as they try to protect and grow the value of their investment portfolios. After reading this chapter, I think you will agree that the world of personal investing is not a friendly place for the average person to navigate and that change is needed.

My purpose has not been to discourage you. My purpose has been simply to describe and highlight the problems that exist. It is only with this understanding that it is possible to define a new approach that enables you to avoid them.

In this chapter, I have also shown the type of change needed. An effective new approach to investing must be simple to understand, easy to implement, and it must empower you to make confident investing decisions on your own. It must free you from dependence on the massive financial services marketing/sales machine that exists today.

In the final part of this chapter, I defined what a new approach must provide to meet the needs of the investing public and I showed that new ways of thinking, new investing vehicles, and powerful Web tools exist that make this new approach possible.

My next goal is to explain this revolutionary approach to personal investing in detail and show you how to implement it. That is the purpose of the chapters that follow.

Let's get started!

