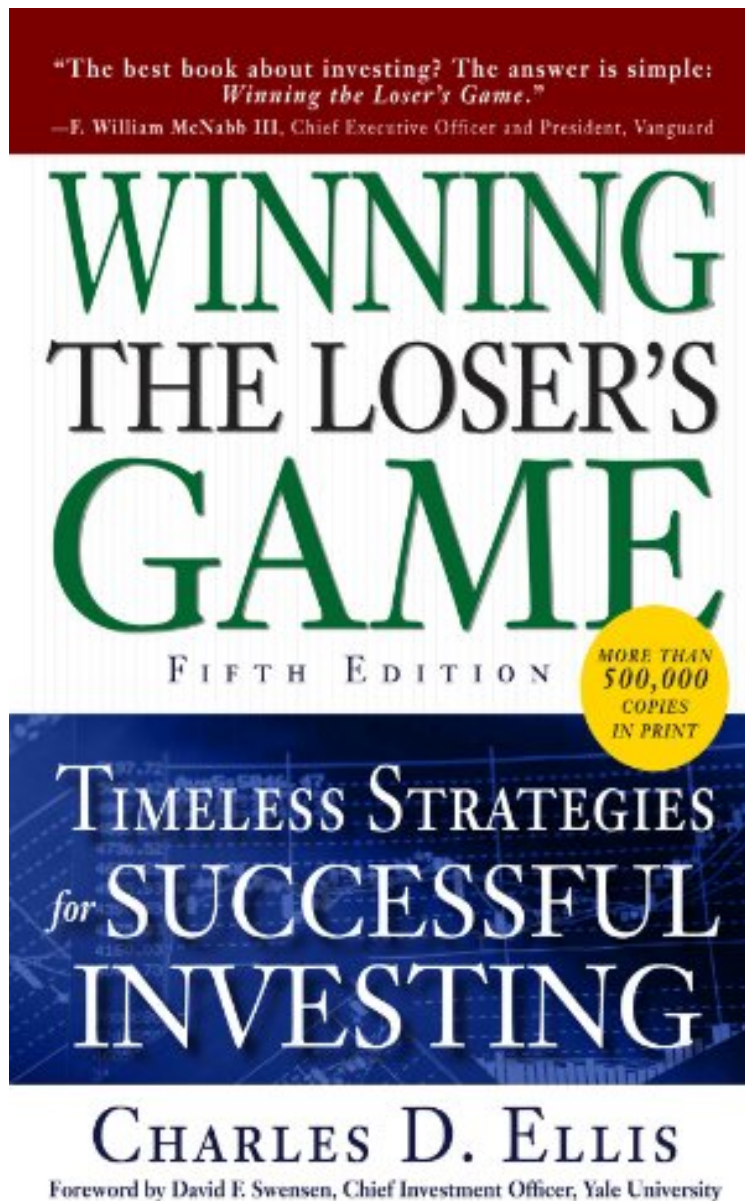


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## Winning the Loser's Game, Fifth Edition: Timeless Strategies for Successful Investing

Charles D. Ellis

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Charles D. Ellis : **Winning the Loser's Game, Fifth Edition: Timeless Strategies for Successful Investing** before purchasing it in order to gauge whether or not it would be worth my time, and all praised *Winning the Loser's Game, Fifth Edition: Timeless Strategies for Successful Investing*:

59 of 61 people found the following review helpful. An investment classic returns

By Philip Stein

Ancient Greek lore tells us of Sisyphus who was banished to the underworld to push a heavy stone up a steep hill. Approaching the top of the hill, the stone would tumble to the bottom whereupon he would begin his labors anew. Poor Sisyphus was condemned to repeat this cycle for eternity. Today's investors can be excused for feeling a bit like Sisyphus. We have been dutifully adding to our investments over the years and watching our portfolios grow nicely. But just as the outlines of a comfortable retirement begin looming on the horizon, the bottom of the market falls out, our portfolio values plummet, and, like Sisyphus, we are forced to start over. Unfortunately, we are a few years older and, unlike Sisyphus, we do not have eternity to make things right. Time appears to be running out. Out of fear or disgust or both, many of us have bailed out of the stock market, locked in losses, and vowed never to return. We have placed our remaining funds in CDs, US Government securities, or short-term bonds. A recent Wall Street Journal article described a nascent trend to return to the soil - people buying farmland, determined to lead a rural lifestyle with the goal of becoming self-sufficient. No matter what happens in the capital markets, you always have your land and the ability to grow food on it. Well, before you throw in the towel and retreat to CDs or Green Acres, you owe it to yourself to read the new 5th edition of Charles Ellis' investment classic "Winning the Loser's Game." Understand why you have had a bad investment experience and what you may have done to make it worse. Retreating to conservative investments or the rural life will likely give rise to a different set of problems that could leave you facing more disappointment down the road. I sensed four principle themes running through this book: (1) there has been a fundamental change in the stock market over the past fifty years which has made consistently beating the market increasingly improbable; (2) inflation is the biggest obstacle standing between you and financial security; (3) regression to the mean is a powerful force in the markets and must be factored into your investment decisions; and (4) focusing on short-term results often leads to long-term underperformance. Author Ellis points out that individual investors accounted for about 90% of stock market trading volume during the 1950s and 60s. In those days, savvy professionals could easily outperform amateurs and rightly claim that they could beat the market. But since the 1980s, institutional investors have come to dominate and the old 90-10 ratio was reversed. Today over 90% of stock market trading volume is by institutional investors, not individuals. Professionals are essentially trading with each other and it is their activity which sets market prices. As Ellis points out, these pros are highly educated, hard working, richly compensated, and extremely competitive. They are focused on the market 24/7. It is unrealistic to believe that individuals trading from home can compete with these pros. Trying to do so is playing a loser's game, hence the title of this book. In such an environment, the best way to play is to not try to beat 'em, but to join 'em. This is one of the principle reasons why so many investment gurus recommend low cost index funds for small investors. Let the institutions compete with each other and set stock prices. You just go along for the ride. In the recent debacle, how many individuals made matters worse by trying too hard to beat the market? If you purchase shares of stock, how confident would you be of your decision if you learned that someone at Goldman Sachs sold them to you? Or if you sell shares, would you harbor second thoughts if you learned that someone at JP Morgan was buying them? We all hope for a long retirement. But Ellis presents us with a sobering statistic, namely that during a 25 to 30-year time frame a relatively modest 3% inflation rate will cut our purchasing power in half. If you have ever observed retirees suffering a slowly declining standard of living, you likely have seen first-hand the damage wrought by inflation. Therefore, it is a focus on beating inflation, not the daily dance of stock prices, that should be your main concern. And it is a focus on the former, not the latter, that separates truly long term investors from the rest of us. This is one of the important lessons the author tries to drive home. Ellis reminds us that, historically, stocks have provided the best real (after inflation) returns compared to most other asset classes. So, as odious as stocks may be to you right now, the prospect of future inflation forces you to consider at least some exposure to the stock market. Bear in mind that with currently low interest rates and an economy flooded with dollars to stimulate economic activity, the likelihood of significant future inflation is greater than it has been in many years. Regression to the mean is another way of stating the old saw, "what goes up, must come down." It is a statistical phenomenon that has been observed in many fields, not just investing. You could almost describe it as a law of nature. Yet how many of us, giddy with delight at rising stock prices, trust that our stocks, like Jack's beanstalk, will grow to the sky. When lofty stock prices inevitably come tumbling down, we accuse the market of betraying us. We conclude that we have been manipulated by powerful interests out to exploit us; that stock market investing is no better than gambling. So we cash out and vow never to return. Charles Ellis sees this irrational behavior arising from a lack of education. He admonishes you to teach yourself about stock market history so you will not be blindsided by adverse market events. Educating yourself should enable you to recognize that it is unduly high stock prices that should alarm you, and that stocks offer the best opportunity for decent future returns following a market decline, not a rise. When you are instructed to periodically re-balance your portfolio, you will be more prone to take this advice seriously because you know that it takes advantage of regression to the mean. Another one of the many lessons that Charles Ellis has to teach us is the importance of asset allocation. We are lead astray when we focus on short-term fluctuations in the value of our portfolios. The most significant determinant of our future success is how we distribute our savings across different asset classes, not our specific investments nor their performance yesterday, last month, or last year. The author constantly reminds us that investing

is not a competition. It does not matter one whit who we beat or who beats us. Only our personal needs and goals matter. All else is distraction. That's why oft-published performance rankings prove to have such limited value and can be harmful when they lead people to continually question their investment program. If this book can stop you from chasing performance by hop-scotching from one investment to another, the price will have been well worth it. In a new chapter prepared for the 5th edition titled "Disaster - Again," the author discusses the recent market debacle. He admits that while he did see dark clouds forming on the horizon, he never anticipated the magnitude of the market decline. This forced him to do some soul-searching and he thought hard about the investment principles he had been espousing for many years. Had he missed something? Was he giving sound advice? Not to worry. He claims to be more convinced than ever that the core investment principles he discusses in his book have not been discredited by the events of 2008 and should serve investors well going forward. Charles Ellis has enjoyed a successful investment career that has spanned nearly 50 years. One must presume that he didn't write this newest edition because he needs the money. He readily concedes that life has blessed him with good fortune and he feels a responsibility to return the favor by helping others. I was impressed with author's humility. To me at least, he comes across as a true teacher, not a salesman. I always feel that it is a privilege to have the opportunity to listen to someone who has learned important life lessons and is willing to share those lessons with others. This is especially important when it comes to investing for the future. Our time is limited. We don't have too many years to recover from mistakes. Learn the lessons in this book and you should be able to not only withstand the sometimes severe contractions that occur in the capital markets, but also to recognize adversity as an opportunity to buy low. You will emerge with a stronger portfolio and, unlike Sisyphus, you will not be condemned to perennially start over. 0 of 0 people found the following review helpful. required reading for any investor By wiltay Ellis clearly delineates the errors that investors are taught to make in the frantic chasing after returns, only-short-term -results-matter world of the Wall Street Casino. Mistakes that I made myself for years and no longer have the youth to survive. Indeed, the average investor behaves like a day trader believing that he or she can compete with the pros who do it for a living, while in fact most 'pros' last only about 18 months before they run out of funds. It's amazing how so many foolish people believe that if they learn to play the game right they'll strike it rich, but it's a game for suckers and most of us have been that kind of sucker. Yes, this is boring index fund investing but investing isn't supposed to be an entertaining hobby but a serious investment in your long-term financial well-being. As a matter of fact though, at the end of the day winning is a lot more fun than losing. 12 of 12 people found the following review helpful. Well written and easy to understand By boris chenki I first read Charles Ellis (co-written) book "The Elements of Investing" which was a quick read, and outlined the key points of proper investing, which I found very interesting. I wanted some more insight. I therefore bought "Winning the Loser's Game" which clarified the questions I had. Both books gave me the insight I needed to change my investing style with confidence. The well thought out analysis written in clear language is what every novice investor needs. I am recommending both books to all my friends. Thank you Mr. Ellis for writing this unbiased, down to earth book, with lots of insight and a good sense of humour as an added bonus.

The Classic Guide to Winning on Wall Street—Completely Updated and Expanded! The best book about investing? The answer is simple: Winning the Loser's Game. Using compelling data and pithy stories, Charley Ellis has captured beautifully in this new and expanded edition of his classic work the most important lessons regarding investing. In today's unforgiving environment, it's a must-read! F. William McNabb III, Chief Executive Officer and President, Vanguard Charley Ellis has been one of the most influential investment writers for decades. This classic should be required reading for both individual and institutional investors. Burton Malkiel, author, A Random Walk Down Wall Street No one understands what it takes to be a successful investor better than Charley Ellis and no one explains it more clearly or eloquently. This updated investment classic belongs on every investor's bookshelf. Consuelo Mack, Anchor and Managing Editor, Consuelo Mack WealthTrack A must-reread classic, refreshed and updated with the latest lessons to be learned from the 2008-2009 market events. Martin Leibowitz, Managing Director, Morgan Stanley Research Winning the Loser's Game has long been required reading for professional investors. . . . This elegant volume explores approaches for individuals such as relying on intellect rather than emotion, and building a personal portfolio by taking advantage of what other investors already know. Abby Joseph Cohen, Goldman Sachs Co This is less a book about competition than about sound money management. Sounder than Charley Ellis they do not come. Andrew Tobias, author, The Only Investment Guide You'll Ever Need About the Book: Peter Drucker referred to Winning the Loser's Game as by far the best book on investment policy and management. Now, in its fifth edition, the investing classic has been updated and improved. With refreshing candor, straight talk, and good humor, Winning the Loser's Game helps individual investors succeed with their investments and control their financial futures. Ellis, dubbed Wall Street's Wisest Man by Money magazine, has been showing investors for three decades how stock markets really work and what individuals can do to be sure they are long-term winners. Applying wisdom gained from half a century of working with the leading investment managers and securities firms around the world, Ellis explains how to avoid common traps and get on the road to investment success. Winning

the Losers' Game helps you set realistic objectives and develop a sensible strategy. You will learn how to: Create an investment program based on the realities of markets Use the "unfair" index fund to succeed, even in tumultuous markets Institute an annual review process to steer your investments well into the future Maximize investing success through five stages, from earning and saving through investing, estate planning, and giving The need for a trustworthy investing guide has never been greater. Sixty million individuals with 401(k)s are now responsible for making important investment decisions. They know they're not experts but don't know whom to trust. Winning the Losers' Game explains why conventional investing is a losers' game, and how you can easily make it a winners' game!

About the Author Charles D. Ellis advises institutions and governments around the world on investing. For many years he taught investment courses at both Harvard Business School and Yale School of Management, and he chaired the Yale Investment Committee. He has served on the investment committees of Exeter, Whitehead Institute, Robert Wood Johnson Foundation, and Hollins University and is a director of Vanguard.