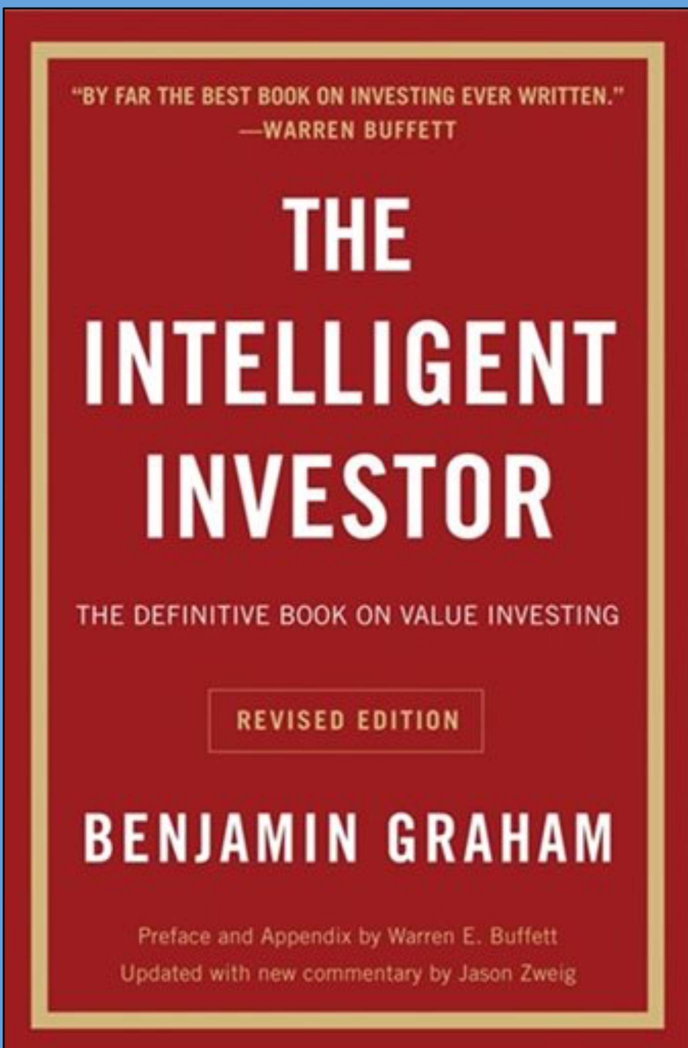
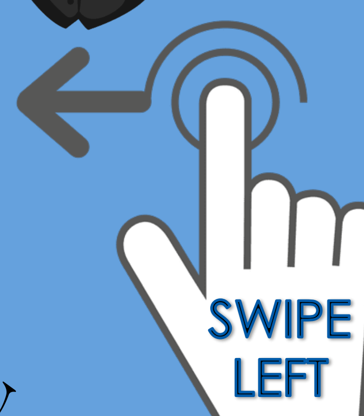
Book Summary



Don't feel

BITTER

about investing



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Some Key Insights

B asics

I nflation

T erminology

T ypes

E xecution

R isk

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Basics

The qualities of an intelligent investor are:

Patient, disciplined and open-minded

In control of emotions and trusts personal judgment

Performs fundamental analysis before investing

Invests in many different areas to protect from losses

Does not seek crazy profits but safe and steady returns

Is financially and psychologically prepared for loss

The market tends to be overly-optimistic and overly-pessimistic from time-to-time. Ignore it!

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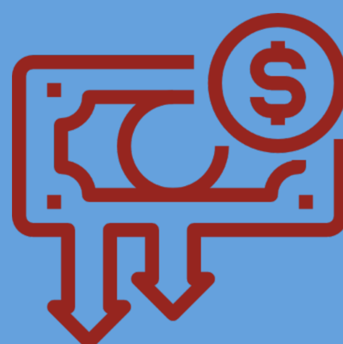
Inflation

Even though you may already be saving, every year the *value* of that money depreciates.

For example, in 2018, the inflation rate in the United States was about 2%.



Lets say you have $10,000 in your savings. Normally that $10,000 would buy $10,000 worth of goods. With inflation, it can now only buy $9,800 worth of goods.

Options to consider to protect against inflation are investing in general and particularly:

Real Estate Investment Trusts (REITs)	Treasury Inflation-Protected Securities (TIPS)

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Terminology

STOCKS

Part of a company that is for sale. When you invest in a stock, you are a partial owner of the company, however small.

BONDS

When you invest in a bond, you are lending your money to a company or government as a loan.

Everything fluctuates and is subject to inflation. Diversify by investing in different stocks and different bonds to protect against loss.

The best sign that a company is worth investing in, is that it earns more than it spends. Pay attention to statements of cash flow.

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Types

There are two types of investors:

Defensive (passive investor)	Enterprising (active investor)

Most people are suited as defensive as the time they are willing to dedicate to investing is limited. As a defensive investor, decide how you want to allocate your money for investing e.g.

25% Bonds	75% Stocks

This is your portfolio. The key is to leave it all alone. The temporary highs and lows of the market do not matter.

You can check in periodically at times. If your 25/75 split changes, you can buy/sell your bonds/stocks to restore the pre-decided percentage split that you wanted.

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Execution

Index funds are a pot in which many investors can pool their money, handing it over to a fund manager who then decides where to invest.

Index funds are the best choice for individual investors because they are:

Cheap to invest in	Passive so you don't have to spend much time doing research	Allows investors to diversify their portfolios by granting them access to a basket of stocks

Index funds have returns similar to the average of the market.

Set up a fixed amount of your salary to go into an index fund every month.

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Risk

It is important to have a margin of safety to minimize the risk of being wrong.

You can do this in the following ways:

- Diversify your investments
- Regularly contribute to your index fund
- Ignore mood swings of the market
- Buy low and sell high

It is important to also be mindful that you have to pay fees for your investments to be looked after. ‘Shop around’. Ensure that these fees don’t erode your savings.

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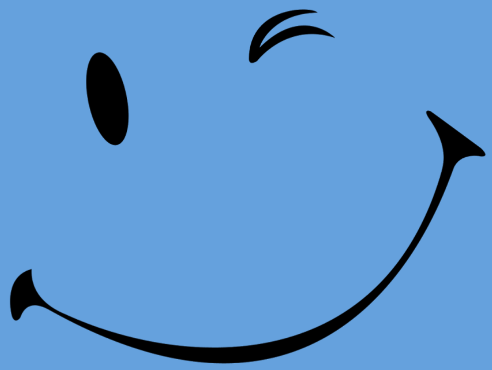
Now go be the best version of yourself today!



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