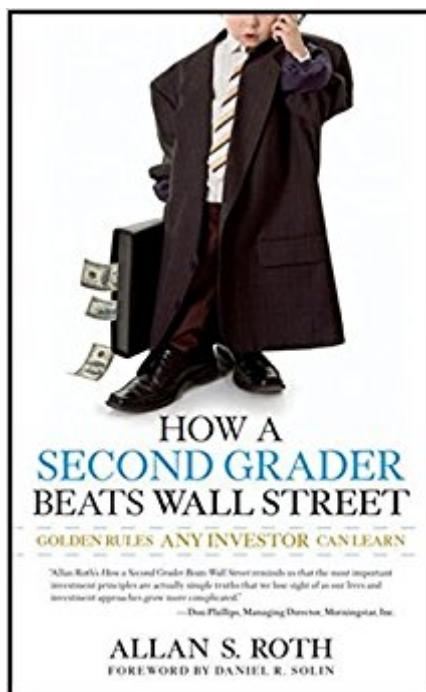


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# How A Second Grader Beats Wall Street: Golden Rules Any Investor Can Learn



## Synopsis

Straightforward strategies from a successful young investor In How a Second Grader Beats Wall Street, you'll follow the story of Kevin Roth, an eight-year-old who was schooled in simple approaches to sound investing by his father, seasoned financial planner Allan Roth, and discover exactly how simple it can be to become a successful investor. Page by page, you'll learn how to create a portfolio with the widest diversification and lowest costs; one that can move up your financial freedom by a decade and dramatically increase your spending rate during retirement. And all this can be accomplished by using some common sense techniques. Along the way, Kevin and his dad discuss fresh, new approaches to investing, and detail some tried-and-true, but lesser known approaches. They also take the time to debunk the financial myths and legends that many of us accept as true, and show you what it really takes to build long-term wealth with less risk. Discusses how to design a portfolio composed of a few basic building blocks that can be "tweaked" to fit your personal needs Addresses how you can reengineer your portfolio in order to stop needlessly paying taxes Reveals how you can increase returns, regardless of which direction the market goes, by picking the "low-hanging fruit" we all have in our portfolios With just a little time and a little work, you can become a better investor. With this book as your guide, you'll discover how a simpler approach to today's markets can put you on the path to financial independence.

## Book Information

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## Customer Reviews

Investing is simple, but never easy. We carry a lot of investment baggage, including hot tips from friends and the financial media, as well as complicated financial recommendations from Wall Street

"experts." Yet, the biggest obstacle we face is the tendency to outsmart ourselves. In order to overcome that obstacle, you need to follow straightforward strategies that will consistently push your portfolio ahead of the pack by an additional 3 to 4 percent annually. These are strategies that work in up markets, and especially in times of market crisis and panic. Most importantly, these strategies are basic enough for even a kid to understand. In *How a Second Grader Beats Wall Street*, you'll follow the story of Kevin Roth— an eight-year-old who was schooled in simple approaches to sound investing by his father, seasoned financial planner Allan Roth—and discover exactly how simple it can be to become a successful investor. Page by page, you'll learn how to create a portfolio with the widest diversification and lowest costs; one that can move up your financial freedom by a decade and dramatically increase your spending rate during retirement. And all this can be accomplished by using some commonsense techniques. Along the way, Kevin and his dad discuss fresh new approaches to investing, and detail some tried-and-true but lesser-known approaches. They also take the time to debunk the financial myths and legends that many of us accept as true and show you what it really takes to build long-term wealth with less risk. You'll also learn how not to confuse the unlikely with the impossible. Whether you're young or young-at-heart, the straight-talking advice found here will help you: Design a portfolio composed of a few basic building blocks that can be "tweaked" to fit your personal needs Go beyond indexing, which owns the entire market, and actually beat the market Reengineer your portfolio to stop needlessly paying taxes Increase your return, regardless of which direction the market goes, by picking the "low-hanging fruit" we all have in our portfolios Engaging and insightful, *How a Second Grader Beats Wall Street* takes you through Kevin Roth's real-life story, while driving home key strategies and tools you can implement in your own portfolio. With just a little time and a little work, you can become a better investor. With this book as your guide, you'll discover how a simpler approach to today's markets can put you on the path to financial independence. *10 Dumb Things Adults Do With Their Money* By second grade, we all learn some simple and truthful lessons about the world around us and how to navigate it. As life goes on, however, what we continue to learn is less about making us smart and more about making us outsmart ourselves in investing. Adulthood apparently brings with it the feeling that important matters, such as our money, are too important to deal with simply. Why go back to the basics when there is the sophisticated, complex path to take? Sure, continuing on such a path offers a 99.9% certainty of underperforming simplicity, and will also set our retirement goals back by a couple of decades, but isn't that how grownups invest? Unfortunately, yes. There are many dumb things that adults do... They love to buy high and sell low. They buy after the market is up and then panic and sell when the market falls. They play

important games without understanding the rules. Any kid knows that if you don't understand how a game is played, you can't win at it. Same goes for buying a product that has a 471 page disclosure document no one can understand. They believe anything they want to believe. Why would sophisticated people give Madoff \$50 billion without knowing what he was doing with the money? They pass over the low hanging fruit in favor of the fruit that is way out of reach, if it is reachable at all. They are so busy chasing their tails and trying to find that mythical person who will beat the market, that they miss the easy stuff right in front of them that will make them money, no matter what the market does. They think strangers want to help them. We teach our children the dangers of talking to strangers, then turn around as adults and hand over our nest egg to strangers that claim they want to help us. They're helpful alright, helpful in transferring our money to them. They constantly complain about taxes, but pay more than they need to. It's so easy to lower taxes when it comes to investing, why do adults go out of their way to pay more? Though with our current deficit spending, this may be okay. They lend money to people who they know can't pay it back. Like a really bad chain letter, they sell the loans to other adults who think they are going to get their money back. They follow the herd. Like heat-seeking missiles, they go after whatever has been hot. They get into markets like China and India just in time to see them collapse. Remember the rule "don't put all of your eggs in one basket?" They watch too much financial TV. Conventional wisdom tells us that a little knowledge is a dangerous thing, but so is too much information. Especially when it comes from the screaming, sound effect guy. Believing that the gurus on TV actually have a good track record and are giving good advice, is folly with a capital F. They spend their investing lives in a futile attempt to disprove second grade arithmetic. They think  $10 - 2 = 12$ , as in if the market earns 10% and they pay helpers 2% of that return, then they will get 12%. Anyone knows  $10 - 2 = 8$ . Adults seem to love to overcomplicate things. Only really smart adults seem to get it. As Albert Einstein said, "If you can't explain it simply enough, you don't understand it well enough." This book will show you how to simply profit from those sophisticated investors who will never again understand the simplicity of truth they once knew when they were in second grade.

'...one financial insider's efforts to create another financial insider from scratch. This book has charm and intelligence in spades.' (Accounting Technician, January 2011).

As someone just getting started learning about the financial world of saving, investing, planning,

etc., Roth's book was a great start! After continuing my education a bit with other texts, I continue to be thankful for Roth, who explained everything so simply and clearly that I was able to grasp the basic concepts of investing, especially in regards to mutual funds, from the first page. His logic and reasoning made sense, and allowed me to start the conversation about financial planning with my family. That being said, I don't recommend ENDING your education with the second grader book. In keeping everything simple, there are a lot of things that Roth wasn't able to add to the book - it wouldn't have been appropriate for this project! - so there's lots more to see and learn about. To sum up - great start, clearly written, good basic rules and foundation for investing.

Wonderful read. Actually went fast and surpassingly supports thoughts that I've had over the years. I can't wait to use what I learned. I suggest this to anyone even if it's just to challenge a belief you have. Following the rules in this book will help you create a low maintenance and profitable portfolio. Thank you for writing this.

Investment luminaries like John Bogle, Burton Malkiel, Charles Ellis, and a host of others, have written extensively about the keys to successful investing. The common theme running through their books and articles is easy to summarize: invest your money in a collection of broadly diversified, low cost index funds; allocate your dollars among these funds according to the risk you wish or need to bear; rebalance regularly; periodically add savings to your portfolio; maintain a long-term perspective; then go about living your life. Yet many investors unnecessarily complicate their portfolios with overlapping investments; sell in a panic when markets decline; trade too much incurring excessive costs; and generally earn below-market returns. Behavioral finance economists have a field day with them. Maybe the human animal with its psychological quirks is unable to follow this advice. Perhaps we are hard-wired to needlessly complicate things. Not so, says author Allan Roth. There are people who invest this simple way and do quite well thank you. For an example, he introduces us to his son Kevin, a second grader at the time this book was written. Young Kevin began with a modest portfolio financed with a gift from his grandparents. It has done well over time, outperforming most professionals. How does Kevin do it? Well, for starters. Kevin has certain advantages that adults lack. He goes to school, plays with his friends, and watches SpongeBob on TV. He doesn't fixate on his individual investments nor does he follow the market. He spends his time enjoying his childhood and wondering what he will be when he grows up. As a result, he doesn't churn his portfolio nor does he develop anxiety when the market drops. Of course, Kevin is fortunate to receive sage advice from his Dad, a highly regarded financial adviser. But the reason he

beats the Street is because he doesn't beat himself. Kevin ignores the daily dance of stock prices and lets his investments compound. In short, he behaves the way investment notables say we all should behave. We adults can learn a great deal following Kevin's example. And that is the point of the book. Now some may complain that this is all too simplistic. A young boy doesn't have to earn an income to feed his family nor save for his children's education or his own retirement. And given his long investment horizon, he can afford to be nonchalant about the current value of his portfolio. But that misses the point. Wealth for both children and adults must be given time to grow; it usually does not come in a burst of good fortune. We often detract from wealth accumulation when we chase performance, sell in a panic, or bet the ranch on a few targeted investments. Building and maintaining a sound portfolio is not difficult and Kevin's Dad explains it clearly with a touch of humor. It may be humbling to us adults, but following the example of a second grader may just bring us closer to achieving our financial goals.

I am in my 20's and have no idea about investing. This book simply explains investing and from an expert's point-of-view explains the best way to invest your money. After reading this book, I feel that I have a better understanding about how to intelligently invest my money and how to start investing well from a young age. It's worth reading at whatever age. I got this book because when I asked my dad about investing, he just handed me this book.

What I love about this book is that it is so easy to understand. After reading this book, you would learn how to build a portfolio using index funds ETFs or Mutual funds. I would recommend this book to anyone new to investing or starting a portfolio. I love the 2nd grader simple portfolio:60% Total U.S. stock market index30% international stock market index10% Bond indexI also like the advanced 2nd grader portfolio:54% Total US Stock market index27% Total international stock index10% Total Bond index6% Total REIT index3% Precious metals fund

You want to lose money invest in anything I do. Thats why I got the book to change my whatever needs changing.

Roth is a rarity: a financial advisor that is actually doing honest and good work for his clients and not himself. The strategies and concepts he presents in 'How a Second Grader Beats Wall Street' are simple, but difficult to follow in a world awash with CNBC talking heads and commissioned salesmen 'financial advisors.' Hopefully more Americans can see this book.

simplicity is special. Investing is made more complicated by all of the gurus in money management. This is really something we should all share with our kids and as adults as well. Timeless advice, I only wish this was something I had read years ago. Great read, although a bit too slow and simplistic at times, but maybe that is what we all need.

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