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A Small Book with a Big Message

The Investment Answer Poses the Right Questions

The recently published book, *The Investment Answer: Learn to Manage Your Money and Protect Your Financial Future*, has gained a lot of attention based on the inspiring personal story of one of its co-authors, Gordon Murray. Mr. Murray decided to tackle this project only after his doctors told him that the glioblastoma – a type of brain cancer – he had been battling was terminal. The book was literally his last gift and legacy, a short volume that helps individual investors find their way in the complex financial world.

After spending his last months devoting all the energy he could muster to the project, Mr. Murray passed away shortly after the book was published. However this touching back-story does not make it a valuable and important book. The contents do.

Mr. Murray worked for Wall Street firms for more than 25 years. (His co-author, Daniel Goldie is a registered investment advisor.) The book captures the epiphany Mr. Murray experienced in retirement – that the investment industry has long promoted investing practices that serve the interests of brokers and banks, not individual investors.

The authors describe the ultimate result of these practices as: “Most of us end up taking unnecessary risk, not diversifying our portfolios properly, and paying too much in fees and taxes – resulting in poor investment results with too little return and too much risk.”

Enlightened by this epiphany, Mr. Murray worked with his advisor, Mr. Goldie, to rework his own portfolio, and eventually to put into print a better way for investors.

In so doing, the pair threw out one of the most fundamental Wall Street premises – that a smart, diligent person with access to economic forecasts, market statistics and industry intelligence can systematically earn a higher rate of return than market indexes or other benchmark averages. This cornerstone of Wall Street’s value proposition – that individuals will beat the market by paying analysts, economists, researchers and money managers to decide what and when to buy – is just not supported by facts, the authors argue.

Persuaded by extensive empirical research that showed this premise to be a myth – one that Mr. Murray acknowledges he had earned a great deal of money promoting over his career – the authors took the discussion back to square one. What they found was that the entire investment process could be boiled down to five key decisions.

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Investors who understand and address these five decisions can achieve good investment results without counting on Wall Street experts to pick the next breakthrough stock, emerging economy or money manager. Furthermore, investors who embrace the authors' approach need not grind through earnings reports every quarter, read stock charts over breakfast, or weigh the conflicting advice dispensed each day by pundits in the financial media.

The key five decisions are:

- **Do it yourself?** Should you invest your own portfolio or enlist the help of an investment professional?
- **Asset allocation.** How should you split your assets among stocks, bonds and cash?
- **Diversification.** Within each major asset category, what specific asset classes should you hold?
- **Active vs. passive.** Should your portfolio be actively managed with the goal of outsmarting the market, or should you accept market level returns of passive management?
- **Rebalancing.** When should you buy and sell assets to bring asset allocations back to desired levels?

Walking through these five decisions in plain English, the authors illuminate the world of investing in a way few books ever have. Unlike most investment books that are thick, dense and highly technical, this one is very short, clear and understandable by investors of any level of experience.

The book, at less than 90 airy pages, can be read and absorbed in a single sitting. This small investment in time and attention could fundamentally change one's investment approach and results.

Without question, Mr. Murray left us all a great gift in *The Investment Answer*.

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