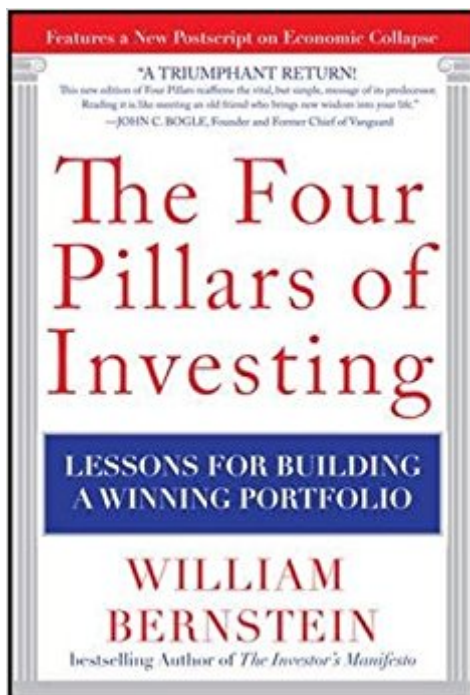


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# The Four Pillars Of Investing: Lessons For Building A Winning Portfolio (Personal Finance & Investment)



## Synopsis

The classic guide to constructing a solid portfolio—without a financial advisor! —With relatively little effort, you can design and assemble an investment portfolio that, because of its wide diversification and minimal expenses, will prove superior to the most professionally managed accounts. Great intelligence and good luck are not required. —William Bernstein —The commonsense approach to portfolio construction has served investors well during the past turbulent decade—and it's what made *The Four Pillars of Investing* an instant classic when it was first published nearly a decade ago. This down-to-earth book lays out in easy-to-understand prose the four essential topics that every investor must master: the relationship of risk and reward, the history of the market, the psychology of the investor and the market, and the folly of taking financial advice from investment salespeople. Bernstein pulls back the curtain to reveal what really goes on in today's financial industry as he outlines a simple program for building wealth while controlling risk. Straightforward in its presentation and generous in its real-life examples, *The Four Pillars of Investing* presents a no-nonsense discussion of: The art and science of mixing different asset classes into an effective blend The dangers of actively picking stocks, as opposed to investing in the whole market Behavioral finance and how state of mind can adversely affect decision making Reasons the mutual fund and brokerage industries, rather than your partners, are often your most direct competitors Strategies for managing all of your assets—savings, 401(k)s, home equity—as one portfolio Investing is not a destination. It is a journey, and along the way are stockbrokers, journalists, and mutual fund companies whose interests are diametrically opposed to yours. More relevant today than ever, *The Four Pillars of Investing* shows you how to determine your own financial direction and assemble an investment program with the sole goal of building long-term wealth for you and your family.

## Book Information

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## Customer Reviews

Since its initial publication, *The Four Pillars of Investing* has become a staple for the independent-minded investor looking to make better-informed investment decisions. Written by noted financial expert and neurologist William Bernstein, this time-honored investing guide provides the knowledge and tools for achieving long-term profitability. Bernstein bridges the four fundamental topics successful investors use to generate exceptional profits on a consistent basis: *The Theory of Investing*: "Do not expect high returns without risks." • *The History of Investing*: "About once every generation, the markets go barking mad. If you are unprepared, you are sure to fail." • *The Psychology of Investing*: "Identify the era's conventional wisdom and assume that it is wrong. More often than not, it is." • *The Business of Investing*: "The stockbroker services his clients in the same way that Bonnie and Clyde serviced banks." • From the essential soundness of classic portfolio theory through the inherent wisdom of investing in multiple asset classes, *The Four Pillars of Investing* provides a distinctive blend of market history, investing theory, and behavioral finance to help you become a successful, self-sufficient investor.

William J. Bernstein, Ph.D., M.D., is a neurologist and the cofounder of the investment management firm Efficient Frontier Advisors. He is the author of three finance books—*The Intelligent Asset Allocator*, *The Four Pillars of Investing*, and *The Investor's Manifesto*—and two volumes of economic history, *The Birth of Plenty* and *A Splendid Exchange*. Bernstein is currently working on a history book exploring the effects of access to technology on human relations and politics.

This should be required reading at the high school or college level. It's fair to say this book, along with *"Boglehead's Guide to Investing,"* changed my life. If you have to pick one, pick *"Boglehead's"*, but this one is more detail and an overall better reference book. Until I read these books, investing seemed too complicated for me, so I either neglected it or paid a "financial advisor" (ha ha) to manage my investments for me. Once I read this book and *"Boglehead's"*, I realized how simple investing is. I have a much greater peace of mind about my retirement accounts, and I will probably have a much more secure retirement as a result of these two books. After reading these books, I

laugh when i hear them ask some hedge-fund manager on CNBC "What's your play?" My "play" is this: stick with my chosen asset allocation in my diversified, four-fund Vanguard account, rebalance once every year or two, and otherwise i tune out the day to day financial "noise" i hear in the media. Buy it, read it, do what it says, give it to your kids.

Swedroe, Bernstein, Bogle, Larimore, Buffet. Get them. Then get online to the "Bogleheads forum", or Morningstar forum. They are a must for personal investment finance for retirees and those working toward a healthy retirement.

You won't go wrong with any of Dr. Bernstein's advice and if you are new to investing this is probably an ok place to start but if you already know anything about the subject I would go right to his Rational Expectations, written after the financial crisis, and skip this one, which at least as to examples, is a bit dated.

I found this a very useful book on investing. It explores the theory, history, and psychology of investing, followed by a brief but practical "how to" section for building your own well balanced, tax efficient investment portfolio. I've also read the same author's The Intelligent Asset Allocator, and although they cover much of the same material, I found them to be complementary of one another, as there was good reinforcement and building on ideas from one to the other. Note: some of the tables could be difficult to read on my Kindle due to small print, but I was able to view these on my laptop instead quite easily.

This book is not designed for people who are trying to figure out how to make short-term profits. As the title says, this book gives you advice on building a long-term portfolio. And Bernstein stresses some main points: invest in index funds; diversify; keep costs low; rebalance regularly; tune out market noise; and stay the course. The information in this book is generally not complicated, and there is little math involved. The content is easy to understand, even if you are a relative newcomer to investing. He does a nice job of explaining the value bias, which states great companies often don't make great stocks. He also spends a chapter on the Dividend Discount Model, which is a fairly accurate method of determining future returns. And he has a chart in the book which gives estimated returns for various asset classes for the next few decades (hint: diversify into small, value, REIT). If you have read books by John Bogle or Larry Swedroe, you probably already know the main themes of this book. But if you have not, I would recommend this as a great way to learn about

long-term investing.

Very good. The 1st chapters seem to get heavy on the history but the author has a good point. The chapters on building the portfolio are certainly confusing with all the mathematics and need to be taken slowly or repeated.

This is an excellent overview for anyone beginning to invest or who has become disillusioned with active investing. It does a solid job of arguing the merits of asset allocation and index investing as a worry-free means to long-term financial security. I felt the most original part of the book and one of its most useful was the scathing but accurate indictment of financial journalism. As the author admits at the outset, this material is rather dry despite his attempts to inject some wit, but is truly valuable. My only criticism is that, in terms of winning converts to this unexciting but intelligent approach to investing, the same objective has already been achieved more concisely, entertainingly and convincingly by the original works of John Bogle (Bogle on Mutual Funds, for example), whose contributions are glowingly acknowledged here.

This is Bernstein's second book on investing. All investors should read one or the other. For the most part, this book is a duplicate of his first, "The Intelligent Asset Allocator", in some places word-for-word. In a nutshell, if you are already a convert to passive index investing and want to dig deeper, read the first book; if you are just getting a glimmer of the dangers that lurk in the financial-services industry, read this one. This book is better-written than the first, longer and more basic; although it eventually gets to the same place. The one important addition in this book is Chapter 8 "Behavioral Therapy" where Bernstein helps you to stop being your own worst enemy.

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