

THE SAVINGS GAMES | HUMBERTO CRUZ

Look to these books for advice on financial planning without the fear factor

Too many books on investing and personal finance try to exploit the prevailing mood of the public, be it fear or greed.

Give me instead a “timeless” book with common-sense advice for good times and bad, even if I don’t agree with all it says.

The newest such book I’ve read, published in March, is “How A Second Grader Beats Wall Street: Golden Rules Any Investor Can Learn”, written by Allan Roth, founder of Wealth Logic, a financial planning and investment advisory firm in Colorado Springs.

The second-grader — now in grade 5 — is the author’s son, Kevin. Roth, a certified financial planner, taught Kevin basic concepts of investing when the boy was in second grade.

Roth imparts the same lessons in the book, making the point that adults tend to unnecessarily complicate things, including investing.

Kevin’s simple but well-diversified “second-grader portfolio,”

which he has kept, is divided among a US stock index mutual fund, an international stock index fund, and a US bond index fund. (An index fund tries to merely match the return of a market benchmark or index.) With their low costs — there’s no need to research stocks or bonds to buy, and turnover and trading costs are minimal — index funds historically have outperformed most actively managed funds.

Many advisers today recommend investors also include a dollop of other types of investments or “asset classes” in their portfolios, such as real estate and precious metals. Roth argues investors should do so only if they understand that the purpose of adding them is to lower overall volatility, and if they’re committed to sticking to their allocation for the long run.

A book published in February, “The Cure For Money Madness: Break Your Bad Habits, Live Without Financial Stress — and Make More Money!”, also favors low-cost index funds, including exchange-traded funds.

But it recommends a more finely sliced portfolio of 14 asset classes, including commodities, international real estate, and stocks from emerging markets. Author Spencer Sherman, a certified financial planner in northern California and CEO of Abacus Wealth Partners, argues the added diversification enhances returns over time. Going beyond investing, Sherman devotes most of the book to the “emotional” aspects of money, including how it affects relationships.

I’m also rereading “Spend ’til The End: The Revolutionary Guide to Raising Your Living Standard Today and When You Retire”.

Written by Laurence J. Kotlikoff, a professor of economics at Boston University, and Scott Burns, a syndicated personal finance columnist, the book focuses on “economic lifecycle planning” and “smoothing out” your living standard throughout your life.

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