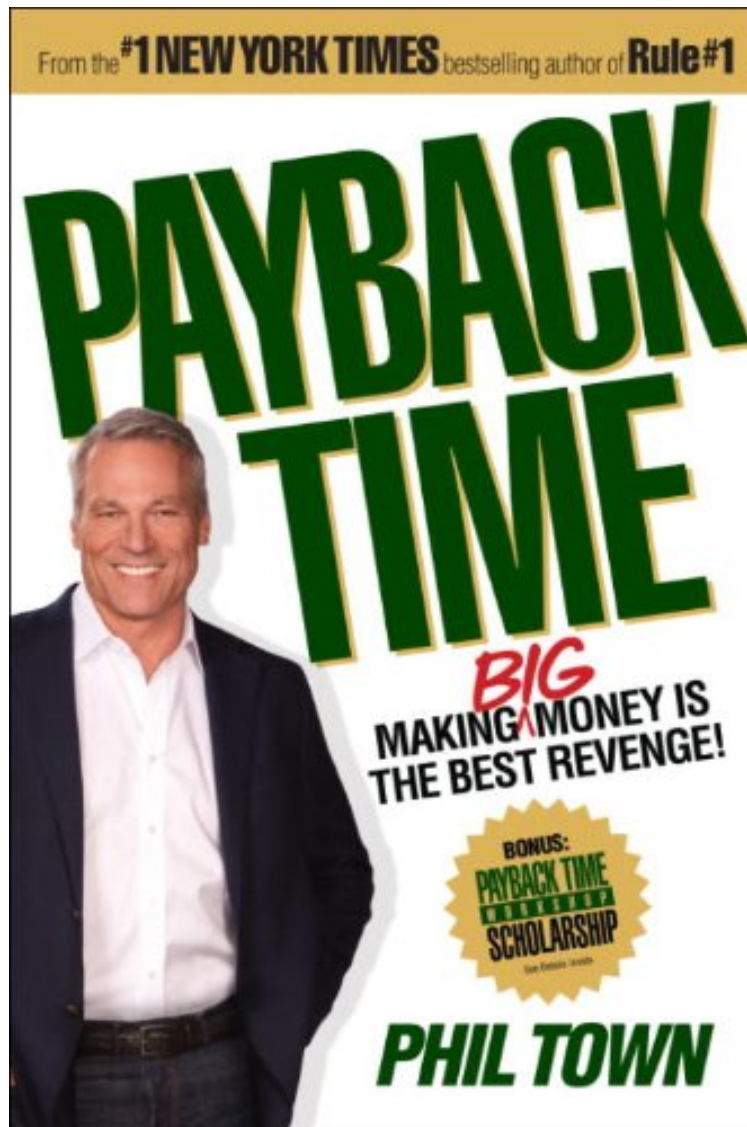


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Payback Time: Making Big Money Is the Best Revenge!

Phil Town

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Phil Town : Payback Time: Making Big Money Is the Best Revenge! before purchasing it in order to gage whether or not it would be worth my time, and all praised Payback Time: Making Big Money Is the Best Revenge!:

5 of 5 people found the following review helpful. Great for a novice but not a complete educationBy AndreaI found this book to be an entertaining introduction into value investing approximately a year and a half ago when it came out. It is written in a style to motivate someone who might feel incompetent to try to invest their own money. The book gave me the confidence to start investing and with his advice, I made several very good investment decisions (buying Netflix at \$75/share, for one... which I just sold at a 285% profit). I also made several unnecessarily risky investment

decisions (buying Joe's Jeans at \$1.90/share... which decreased by 50% but I am still holding on because I still believe in the company's long-term potential). My losses have been more than outshadowed by good picks. I agree with another reviewer's post that the website does NOT deliver on its promises and also that I found his method for valuing companies to be overly risk-averse. If you stuck with his recommended margin of error, you would NEVER invest in the market. I found very few stocks that met the balance sheet test by his margin of error and those that met that test I decided against for other reasons (no barriers to entry, declining value as technology advances, etc.) I used his calculator online to value companies but only in relation to each other. I didn't wait for his target price to buy... because I never would have invested \$1 if I had. I am currently reading Ben Graham's Security Analysis, which I find much more useful. However, I don't know that I would have been ready to dive into Security Analysis as a novice and thereafter be so willing to experiment if I had read it a year and a half ago. Thus, I recommend this book in general to other complete novices. It is good, sound advice and it is written in a way to explain complex ideas to someone without a finance education. However, I'd also recommend other sources like fool.com. Value investing information can be learned from other sources... this is just one of them. It isn't magic or a different type of value investing than Buffett or Stock Advisor on fool.com. I also recommend reading other things after you make a few stock purchases because reading this book will not be the only thing you need to read for investing long-term. It is a continual process of trial, error, study, testing theory, trial, error... you never stop learning. 3 of 3 people found the following review helpful. If you're a fan of Rule #1 buy this book also. By Test Guy I had originally read Rule #1 a few years ago but never followed its investing strategy that closely. After a few stock market plunges where my mutual funds tanked, and a few bad individual stock selections, I decided to buy Payback Time as well as a few other investment books about Warren Buffet and from Benjamin Graham (The Intelligent Investor), and Joel Greenblatt (The Little Book That Still Beats the Market). Graham's book is a classic on value investing and was a good but difficult read. Greenblatt's book requires you to blindly trust his stock picks with little explanation of how they were chosen. For those who don't have the time to get a finance degree and learn security analysis, Phil Town's books are the best guide to learn how to value a company and actually price what the fair market value of a stock should be. I've used his pricing method to determine the MOS (Margin of Safety) for many stocks such as AAPL and SBUX and have been successful investing in them. Are people really complaining about spending \$17 to get this book which includes added material on stockpiling, when to sell, and how to calculate payback time? Yes, some of the stock pricing material is the same as in Rule #1, but by reading this book it will reinforce the principals to good stock selection. If you follow the advice of the book closely, you will make your \$17 back many times over. That being said, there were a few chapters I would have like to have seen in this book, such as how Payback Time's stock valuation method compares to other valuation methods that are used in the finance industry. Also, some examples of when you might want to lock in a profit on a stock by using a stop order would have been helpful. I'll probably try to read Graham's Security Analysis at some point, but his books are definitely not easy to read for the average person. Phil Town's books can be understood by almost anyone (take detailed notes while reading!). Overall it's the most valuable investing book I have ever bought. 2 of 2 people found the following review helpful. A great investment tool. By F J. A great investment tool. Make sure you go with a company you are passionate about that fits the criteria. If you go with their recommendations on their website, you may be waiting a long time for the returns. I've put EPAM on my watch list (predicted at 4000% return by them) and have not seen much movement on that stock over the past year.

Don't get mad, get even. Phil Town's first book, the #1 New York Times bestseller Rule #1, was a guide to stock trading for people who believe they lack the knowledge to trade. But because many people aren't ready to go from mutual funds directly into trading without understanding investing for the long term, he created Payback Time. Too often, people see long-term investing as "mutual fund contributing" otherwise known as "long-term hoping." But the sad truth is that mutual fund investors are, to a stunning degree, pinning their hopes on an institution that is hopeless. It turns out that only 4% of fund managers consistently beat the SP 500 index over the long term, which means that 96% of fund investors see a smaller return on their nest egg than a chimpanzee who simply buys stocks in the 500 biggest companies in America and watches what happens. But it's worse than that. The net effect of hitching your wagon to mutual funds is that over a lifetime they'll fritter away as much 60% of your nest egg in fees. Once you understand how funds engineer this, you'll rush to invest on your own. Payback Time's risk-free approach is called "stockpiling" and it's how billionaires get rich in bad markets. It's a set of rules for investing (not trading but investing) in the right businesses at the right time -- rules that will ensure you make the big money. From the Hardcover edition.

Finally, an investment book that's easy to understand and actually works in the real world. PAYBACK TIME will make a lot of people very, very rich! --T. Harv Eker, author of the New York Times #1 bestseller, SECRETS OF THE MILLIONAIRE MIND "There's never been a better time than now to start over and finish rich!" Recessions make millionaires and Phil Town's strategy for stockpiling wealth in the

stock market is a fantastic vehicle for achieving that goal. You'll realize when you read this that it's still possible to recapture your dreams of a richer, better future. --David Bach, #1 New York Times bestselling author of *START OVER*, *FINISH RICH* and *THE AUTOMATIC MILLIONAIRE*. Masterful in its insights...brilliant in its simplicity and practicality! With uncompromising clarity, Phil Town exposes the truth about how poorly mutual fund managers perform, then proceeds to teach a very precise methodology for finding, evaluating, and investing in valuable businesses. *PAYBACK TIME* is a must read for everyone who's ready to take complete control of their financial freedom, and wants to do so with confidence, safety, and sound investment principles. --Tony Martinez, Founding Partner, Wealth Without Risk, LLC. Town knows how to play by the rules in the "making big money" game. Consider his book a gift to your financial library. --Robyn Spizman, New York Times bestselling author and founder of *The Giftionary.com*. An incredible book that will teach you how to achieve financial independence faster than you ever thought possible. --Brian Tracy, President, Brian Tracy International. "Town has nailed it; *PAYBACK TIME* gives you the insight and mindset to maximize your investments." --Joe Sweeney, President of Corporate Financial ...

About the Author PHIL TOWN has addressed millions of people, sharing the stage with such respected public figures as Bill Clinton, Colin Powell and Rudy Giuliani. He appears frequently on CNBC as an investing expert. Currently, he makes his home in Jackson Hole, Wyoming. Excerpt. copy; Reprinted by permission. All rights reserved.

CHAPTER 1 HOW the WEALTHY USE DOWN to GO UP "There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction." --John F. Kennedy

The best investment strategy I know is so counterintuitive, so shockingly upside down, such a crazy way of thinking about investing that hardly anyone who uses it wants to even try to explain it. It's not at all hard to do, but it is hard to explain. It just sounds so . . . impossible. But smart investors do it all the time and, man, does it work! I mean it really works. It's an "I can do whatever I want the rest of my life" kind of works. It works so well, it's the secret to the investing success of the best and richest investors in the world. Seriously. I know that sounds like hype, but honestly it's impossible to overstate the effectiveness of this strategy. It really is the basis of the biggest fortunes in the world, including those of quite a number of *Forbes*'s *World's Billionaires* list. For example, #3 is Carlos Slim Helu, the Mexican telecom entrepreneur who is worth \$35 billion and is currently buying into cheap media, energy, and retail assets, including the *New York Times*, using this strategy. Lakshmi Mittal, #8, of India, created a \$19 billion fortune and now runs the world's largest steel company, ArcelorMittal. He built ArcelorMittal using this strategy in Eastern Europe in the 1990s after the Berlin Wall came down. Number 15 is Bernard Arnault of France, who built a \$16 billion fortune by acquiring Christian Dior with this strategy. Number 16 on the *World's Billionaires* list is Li Ka-shing of China, who made \$16 billion acquiring energy, banking, and utility companies with this strategy. Charles Koch and David Koch are ranked #19 with \$14 billion each, which they got by using this strategy to build Koch Industries--one of the largest, privately held corporations in the United States. Michael Otto of Germany is ranked #23 and is using this strategy to take advantage of weak markets in the United States to buy up shopping centers in America. Don Bren is #26. He used it to become the sole owner of the Irvine Company and bank \$12 billion. The Irvine Company is one of the largest construction companies in California and the developer of about a fifth of Orange County. The list of billionaires who used this strategy to become mega-wealthy goes on and on but wouldn't be complete without mentioning that the world's second wealthiest man, Warren Buffett (worth \$37 billion), the world's best investor, used this strategy of investing to build his immense fortune and to increase his ownership and compounded return in companies like American Express, Washington Post, GEICO, and Coca-Cola. This strategy is also the basis of thousands of little fortunes, including mine. In fact, as any of the billionaires I mentioned above would agree, it's much easier to use the strategy if you are a small investor. Being a big investor is actually a huge disadvantage in using this strategy. Mr. Buffett once said, "Anyone who says that size does not hurt investment performance is selling. The highest rates of return I've ever achieved were in the 1950s. I killed the Dow. You ought to see the numbers. But I was investing peanuts then. It's a huge structural advantage not to have a lot of money." I used this strategy to build my wealth by buying shares of bioscience, software, and other private companies. And soon, if you pay attention and are willing to do a bit of fun work, you'll discover that this incredible strategy can be the basis of your fortune, too.

STOCKPILING I call this amazing strategy "stockpiling" . . . as in "stash," "accumulate," and "collect." It means exactly as it sounds--stockpiling, as in piling up stocks. Not just any stock at any price, though. The essence of stockpiling is to buy stock in a business you'd be excited to own all of, then hope the price goes down so you can "stash," "accumulate," and "collect" as much as you can afford at as low a price as possible. Sounds strange, I know. But again, all of the billionaires I listed above and many more on *Forbes*'s *World's Billionaires* list are stockpilers of businesses. (Note: This list might have changed by the time you read this but not the stories behind these guys' wealth-building strategies.) Buy a Business, Not a Stock "Buy a Business, Not a Stock" was a chapter title in my first book. It's such a key way of thinking that I can't reiterate it enough: You must stop thinking that stock investing is any different from buying a business.

When you buy a business you're buying shares of the business. If you buy some percentage of the total shares, you become a part owner. Buy all the shares and you own the whole business. There is no difference between that process and buying public stock in a business. As long as you treat owning shares of public stocks as different from owning a piece of a business, you will fail to understand and execute the stockpiling strategy. A typical stock investor is unhappy when the price of his stock goes down, because he has no understanding of the true value of the business that stock represents. But that's because typical stock investors are not investors at all. They don't understand stockpiling, so they inadvertently have become speculators and outright gamblers. The unfortunate truth is that the financial services industry has conned many millions of people into their game of stock speculation via mutual funds. I'll have a lot more on that in the next chapter. For now, just remember that for this book and for the rest of your investing career, you must think of stocks as shares of a business, and yourself as the owner of that business. So if you buy just ten shares of Coca-Cola, you're a part owner of Coke—not a stock investor in Coke. Got that? When you begin to think like this, you're joining some truly great investors like Buffett, and you're on the first step toward becoming a solid stockpiler of stocks, er, businesses. The basic ideas of investing, Buffett says, are to look at stocks as a business, use a market's fluctuations to your advantage, and seek a Margin of Safety. That's what Ben Graham taught us. A hundred years from now, these will still be the cornerstones of investing. From the late 1990s until 2008, Warren Buffett bought very few public stocks. He mostly just sat on about \$45 billion of Berkshire Hathaway's cash, waiting patiently for Mr. Market to become fearful enough about the future to bring the prices of wonderful public businesses down to levels at which he was willing to buy. In May 2008 Mr. Buffett told his fans at the annual Berkshire conference that he hoped the stock market would drop 50 percent so he could finally put all his cash to work. Then the market crashed, and in October 2008 he invested \$20 billion in public companies. But here's the classic part of the story: As prices of the businesses Berkshire owned—and still owns, as of this writing—plummeted, and the Berkshire stock price dropped accordingly, Mr. Buffett was attacked, again, for being over the hill and out of touch. The proof? The prices of businesses he owns were going down. This is not the first time he's been accused of losing his touch. In the late 1960s he was sitting on a lot of Buffett Partnership cash. His unwillingness to chase high prices disturbed enough Buffett Partnership partners that Mr. Buffett dissolved the partnership, gave his partners back their money, and shifted his stockpiling strategy to Berkshire Hathaway, where he would no longer be required to deal with limited partners whining about his lack of investing activity. Of course, he turned Berkshire into the world's most successful investment vehicle. Ten thousand dollars invested in Berkshire in 1969 is now worth \$40 million. Again in the late 1990s, as mutual funds racked up big gains by buying technology stocks, Mr. Buffett was accused of being behind the times. His ideas became more popular after the Nasdaq plunged 85 percent during the dot-com bust. The fact is, stockpiling is something people either get right away or never understand at all, no matter how much sense the strategy makes or how much money the people who practice it make. The Secret to Risk-Free Stockpiling Is Knowing Price Is Not Value Okay, there's obviously more to stockpiling than just buying a stock and hoping the price goes down. What Warren Buffett and a lot of other billionaires know is that the price of a stock doesn't always have a whole lot to do with how much that business is actually worth. To put it another way, you have to learn how to look beyond stock price and at a business's value. The one and only secret to stockpiling is to make sure the value of the business is substantially greater than the price you are paying for it. I swear to you that's all there is to it. If you get this right, you cannot help but get rich. Most investors make the mistake of thinking the price they paid has some necessary connection to the value of the thing they bought. I don't know why stock market investors think that when it's so manifestly and obviously not true in any other sort of market they buy in regularly. Surely they bought a used car sometime in their lives. They wouldn't confuse the price being asked for a used car with the value of that car, would they? Just because a guy is asking \$5,000 for his old Toyota doesn't mean it's actually worth \$5,000. If you're...