The 3% Signal: The Investing Technique That Will Change Your Life

Jason Kelly
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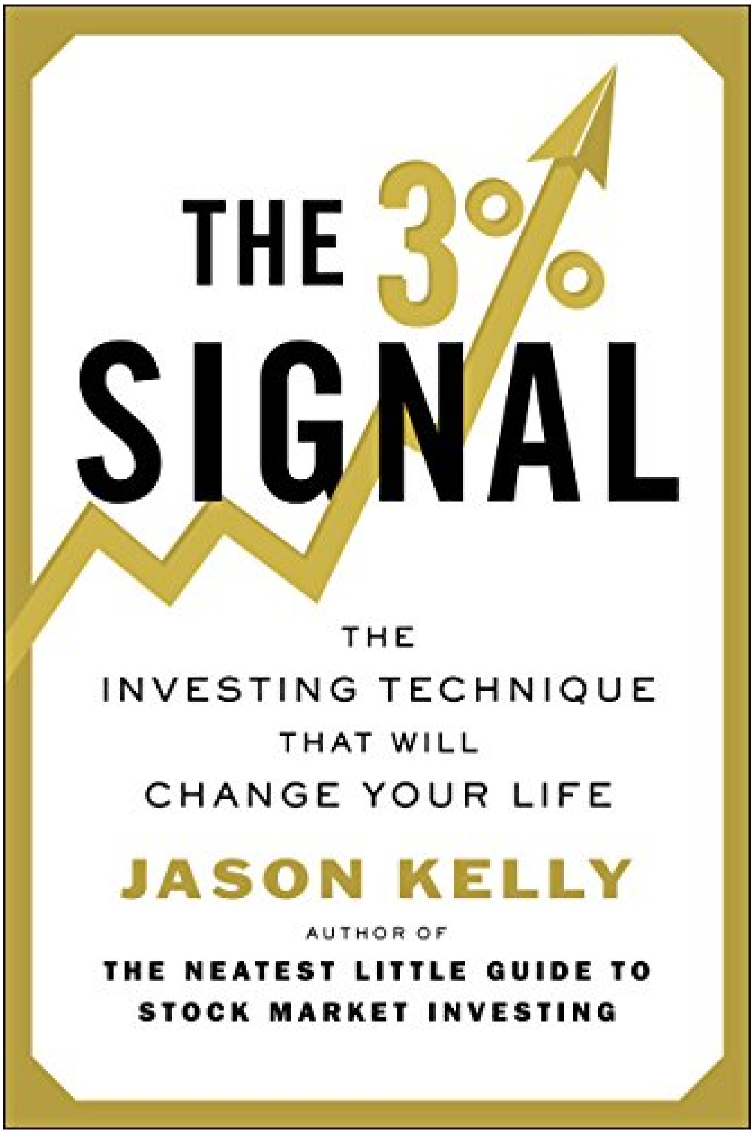

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Jason Kelly : The 3% Signal: The Investing Technique That Will Change Your Life before purchasing it in order to gage whether or not it would be worth my time, and all praised The 3% Signal: The Investing Technique That Will Change Your Life:

69 of 70 people found the following review helpful. An Interesting and Mechanical ApproachBy Scott W. McMurray IIINTRODUCTIONAs this book is primarily about a particular investing method, my review of the book is, in many ways, impossible to parse from my review of the method that is put forth by the book. This method is known as

ldquo;The 3% Signalrdquo; and is aimed towards achieving roughly three-percent growth each quarter, much as the title might suggest. For readers familiar with Jason Kellyrsquo;s most popular book, The Neatest Little Guide to the Stock Market, you may recall there is a segment discussing an investment method with a small-cap fund that aims to achieve 3% per quarter. In a nutshell, Kellyrsquo;s latest book focuses on a more comprehensive and nuanced version of that plan.There are some upsides and downsides to this method, which I will get to in due time, but I will first discuss my thoughts on the book itself. As always, Jason Kelly has a writing style that is easy to follow, clear, and articulate. Hersquo;s a cool guy that I believe genuinely wants to educate about investing. I think that this book is best suited towards those that have an understanding and appreciation for investing, but want to minimize the amount of time that they spend doing it.HUMAN PSYCHE AND UNPREDICTABILITYHe begins this book with a discussion about why, in his opinion, markets are simply not predictable. He goes as far as citing Burton Malkielrsquo;s ldquo;A Random Walk Down Wall Street.rdquo; This text is, of course, commonly cited by those falling more into some stronger form of the EMH (efficient market hypothesis) camp. While Kelly flirts with this position more than I was expecting or hoping, based on my enjoyment of his best-seller ldquo;Neatest Little Guide,rdquo; I believe that he ultimately more or less comes to the conclusion that most people simply canrsquo;t help themselves and be disciplined by approaching investing as more of an emotionless machine. Thus, for most people, trying to time the market, and for some, even trying to simply evaluate based on value, might be more difficult due to allowing emotions and biases get in the way. This is what I believe hersquo;s really getting at, and something Irsquo;m much more prone to agree with, even though tendencies obviously vary with the individual.In examining investor-psyche, Kelly also delves into what he calls ldquo;Peter Perfect.rdquo; In short, Peter Perfect is a euphemism for the ldquo;would have, should have, could haverdquo; mindset that plagues investors when they look back at what the market did retrospectively. Back in 1999, it would have been very easy to think ldquo;gosh darn it, I should have purchased Microsoft a year or two ago.rdquo; Or in 2012, it would have been easy to do that with Apple. In short, there is always some stock that you may have sold earlier than ideal, or let ldquo;slip by you.rdquo; But the point Kelly is accurately making is that you are never going to be perfect with the market, that is, buy at the lowest of lows and sell at the highest of highshellip; so it is a fruitless endeavor to allow Peter Perfect into your thoughts. Even for the lucky soul who did sell at the highest point, itrsquo;s unlikely that they bought at the lowest point, or that they achieved such perfection with their other stock positions. Even the best of investors virtually never fulfill Peter Perfectrsquo;s guidelines. The market does have some unpredictability to it, and itrsquo;s not as forthcoming as Peter Perfect would have you believe.THE "3SIG" METHODAnd it is because of this (1) human psyche and (2) unpredictability, as summed up by Jason Kelly above, that he proposes the ldquo;3% signalrdquo; as an investing method. He calls it ldquo;3Sigrdquo; for short, and I will do so for the rest of this review. Because 3Sig is aimed at achieving about a 3% growth per quarter, by using a mix of stocks and bonds, Kelly does lay out fairly nicely why he believes this is a good number to shoot for, rather than 2%, or 4%, or something else. It primarily relies on history and looking at how the markets have fared over the years. He rightly points out that you could aim for as high of a number as you like, such as 8% per quarter growthhellip; but more likely than not yoursquo;d simply be adding money to it all the time in order to achieve that target, which is not what the goal of investing is.3Sig is naturally compared to two other common methods of investing: the buy-and-hold method, and the dollar cost averaging method. The buy-and-hold method is obviously the easiest to utilize, as you donrsquo;t have to take any actions after buying, beyond making sure that the value and reason for holding are still there. The biggest problem most investors encounter with this method is, of course, when do you finally sell and why? Dollar cost averaging takes the guessing work out of that by causing you to effectively buy fewer shares of equity when the market is ldquo;highrdquo; or ldquo;overboughtrdquo; and more shares of equity when the market is ldquo;lowrdquo; or ldquo;oversold.rdquo; Dollar cost averaging is fairly straightforward as well, but generally does require attention once a quarter.3Sig is, in my opinion, a move to improve upon dollar-cost averaging and indexing. While I am oversimplifying 3Sig by saying that, and there is more to it, I think that vaguely explains the idea to the uninitiated reader. By and large, I do believe that Kelly has mostly succeeded in this improvement. The joy of 3Sig is how easy Kelly makes it. Essentially, one only needs a stock ETF and a bond fund to effectively manage their 3Sig portfolio. Without delving too deeply into it, I believe the reasons for running 3Sig this way are justifiable. Kelly further points out the advantages of using both a small-cap emphasized ETF and a low-cost one, and shows why several of them could potentially do the job.3Sig is interesting in that it will tend to slightly underperform a perfectly executed dollar-cost averaging method during an extremely bullish market that keeps going up. But it makes up for this by slightly over-performing much of the rest of the time. This is partially attributable to its use of bonds in the mix, and partially attributable to its maintaining 3% as the ideal path of growth, even during the quarters where the market achieves more than 3%. Due to this, however, it serves as somewhat of a hedge against rising or falling too rapidly at the whims of the market, satisfying those who find volatility less tolerable.Despite these positive attributes, however, 3Sig is not without some downside. First, the entire investing method is premised upon 3% being the targeted growth per quarter. During the occasionally long spells where this is not the case, one could find themselves throwing much more money in to keep up during bear markets. Kelly does, however, address this by pointing out that sitting on what you have is better than freaking out about not being able to keep up. And I would add that recent modern history thus far has shown that 3% isnrsquo;t necessarily a crazy percentage to be aiming for. Second, this method does require more effort than dollar-cost averaging and definitely more effort than buying and holding. This shouldnrsquo;t be too surprising, though, since it is trying to beat both of these methods. Itrsquo;s not a lot more effort, but there are a few more things involved and one should be familiar with 3Sig and be prepared to stick to it if they are going to use it, as it has mechanical steps that need to be followed.CONCLUSIONAll things considered, I enjoyed this book. I still have a soft place in my heart for Kellyrsquo;s ldquo;Neatest Little Guide,rdquo; and would tell anyone who is extremely interested in investing to read that one first. But 3Sig offers something that is straightforward, effective, and workable for anyone with a little inclination. Towards the end of the book, Kelly offers a hypothetical scenario comparing a 3Sig user to two other investing methods simply to try to give a frame of reference to what using it might feel like while experiencing the ups and downs of the market over several years.I think the biggest upside to this method is that it is simpler than actually managing a portfolio of 20, or even only 5, stocks, since it can be so mechanical. For the thoughtful and investment-minded person who has other things they would rather do than manage their portfolio, something so rote, low-cost, and straightforward, can be very beneficial. The unfortunate part is, of course, that the people who could most benefit from reading this might likely be those who have zero interest in investing or bettering their financeshellip; but this is sadly true of many, many books on finance.This is a good book. I admittedly am still partial to Kellyrsquo;s ldquo;Neatest Little Guide,rdquo; but these two books are so different that it isnrsquo;t really fair to compare them to each other. They just hit on different things. Irsquo;m happy to give it 5 stars, as long as the reader bears this in mind: Kellyrsquo;s ldquo;Neatest Little Guiderdquo; is more about exploring the world of investing more deeply and setting them on that journey, whereas ldquo;3Sigrdquo; is more about simplifying their investing life as much as possible, so that they donrsquo;t have to think about it and can do other things. Which side of this you should emphasize more in your own investing journey really depends upon what kind of person you are.**Disclaimer: The thoughts in this review are solely my own. I was offered this book as a gift, but was not provided any other form of compensation.6 of 6 people found the following review helpful. Finally, A Complete Step by Step Passive Investing Technique To Beat SPY IndexBy CustomerHaving spent time and energy trying to learn how to make money trading stocks, I have decided that playing against fast computers, insiders, and whiz kids with nimble fingers is a losing proposition. I'm at retirement age, and I've lost a little money playing the zero sum game (even though I haven't given up entirely). Also I've been playing with such small amounts that I can't get really hurt. Consequently, I have read dozens of books of passive value and quantitative investing. Jason Kelly's book is the first one that I find that gives me an EXACT blueprint with tools to account for the emotional coefficients as well as the confidence to put real money at work. Today, April 1st, I'm,taking the 3 sig position in my ROTH and am looking forward to a hassle free and non-time consuming method to add another 2.6% over the SPY index. Unless you want to roll the dice and try to get rich quick, which almost never works, the 3 sig looks like a great way to grow and stay safe, if played by Jason's rules, which are all laid out. Other excellent passive investing books have been too general and left me wondering how exactly to implement the techniques.Also, Jason gives a quick response to e-mails. If I have questions or need clarifications or if I get nervous or confused about upsets in the market, I feel he will be there for me. I will also be subscribing to his newsletter.Scott Brown4 of 4 people found the following review helpful. Start spending time with your familyBy Lee TimlickI've read tons of investing books. And forums. And blogs. It's kind of an obsession.The 3% Signal is the book that ended it.This is the one and only book I recommend relative to equities because, frankly, it's perfect. You quit listening, and start managing. Systematically. Four times per year. Meanwhile, you spend your newfound time on the rest of your life and leave your money stress behind.And recommend it I do. In fact, most times I just buy the person a copy via and enter their address as the ship address. Big relationship builder.Kudos to you Jason, for creating the system that all families should follow.

Take the stress out of investing with this revolutionary new strategy from the author of The Neatest Little Guide to Stock Market Investing, now in its fifth edition.nbsp;In todayrsquo;s troubling economic times, the quality of our retirement depends upon our own portfolio management. But for most of us, investing can be stressful and confusing, especially when supposedly expert predictions fail. Enter The 3% Signal. Simple and effective, Kellyrsquo;s plan can be applied to any type of account, including 401(k)smdash;and requires only fifteen minutes of strategizing per quarter. No stress. No noise. No confusion.nbsp;By targeting three percent growth and adjusting holdings to meet that goal, even novice investors can level the financial playing field and ensure a secure retirement free from the stress of noisy advice that doesn't work. The plan's simple technique cuts through the folly of human emotion by reacting intelligently to price changes and automatically buying low and selling high. Relayed in the same easy-to-understand language that has made The Neatest Little Guide to Stock Market Investing such a staple in the investing community, The 3% Signal is sure to become your most trusted guide to investing success.From the Trade Paperback edition.

"We often hear, and have come to believe, that models beat experts. Kelly offers the individual investor a simple, mechanical model that instills discipline, removes a lot of self-sabotaging emotion, andnbsp;has a good track record. Will it continue to outperform? Actually, it just might."mdash;Brenda Jubin, "Reading The Markets" book review at

Investing.com and ValueWalkFrom the AuthorTwo New Terms from the Book3Sig: Shorthand for "The 3% Signal," both the book's title and the technique it describes.Z-val: Shorthand introduced in The 3% Signal for"zero-validity forecasters" and "zero-validity environment." The latterphrase was coined by Nobel Prize winner Daniel Kahneman in his book Thinking, Fast and Slow, where he wrote that "stock pickers and political scientists who makelong-term forecasts operate in a zero-validity environment. Theirfailures reflect the basic unpredictability of the events that they tryto forecast." This is why stock market forecasters are proven to sportan accuracy rate of about 50 percent, same as a coin toss ... yet theycontinue forecasting.Quote from the Book"You'll discover how to check inquarterly to see whether the stock fund's growth is below target, ontarget, or above target, then move money in the appropriate directionbetween the stock fund and the bond fund. This action, using theunperturbed clarity of prices alone, automates the investmentmasterstroke of buying low and selling high -- with no z-val interference of any kind."Reader Highlights"3Sig is, in my opinion, a move to improve upon dollar-cost averaging and indexing. While I am oversimplifying 3Sig by saying that, and there is more to it, I think that vaguely explains the idea to the uninitiated reader. By and large, I do believe that Kelly has mostly succeeded in this improvement." --nbsp;Scottnbsp;W.nbsp;McMurraynbsp;II"In Kelly's model, prices tell you exactly how to adjust things so that you do buy low and sell high atgiven intervals -- and without deluding yourself that you can predictwhat the market will do." --nbsp;Davidnbsp;G.nbsp;Deutsch"I trade options for a living (my own account). After reading the book I am now using his strategy on a portion of my portfolio. Overall, the strategy is good for the passive investor or full time trader. If anyone is skeptical, you may like to know that I have backtested Kelly's 3% strategy versus many other strategies (Covered Calls, Selling Puts, etc) and his strategy constantly outperforms over the long run." --nbsp;Johnnbsp;Wilson"This is the one and only book I recommend relative to equities because, frankly, it's perfect. You quit listening, and start managing. Systematically. Four times per year. Meanwhile, you spend your newfound time on the rest of your life and leave your money stress behind." -- Lovelee"I finally feel that I have near mechanical answers to philosophical questions that have confounded me, such as: If you want to buy low and sell high, how do you know when to sell? (The answer comes primarily from running a simple calculation once every quarter, with notable exceptions that dictate when you should just sit on your hands and wait.) No need to be concerned about whether we're headed for a bull or a bear market; all that matters is what happened this past quarter. Just rebalance your accounts, and move on. ... As I followed his reasoning behind each piece of the plan, he presciently anticipated and squashed almost every objection as they occurred to me." -- Jamie Low"I'm currently running the plan in my 401(k) and IRA accounts. Having just finished my first quarterly rebalance of the plan in both accounts I must say that, for the first time in my investing life, I felt in control of my retirement savings!"-- Rick GeorgeFrom the Back Cover"What the experts don't want you to know ... is that prices are all that matter. Ideas count for nothing; opinions are distractions. The only thing that matters is the price of an investment and whether it's below a level indicating a good time to buy or above a level indicating a good time to sell. We can know that level."-- JASON KELLY, The 3% Signal