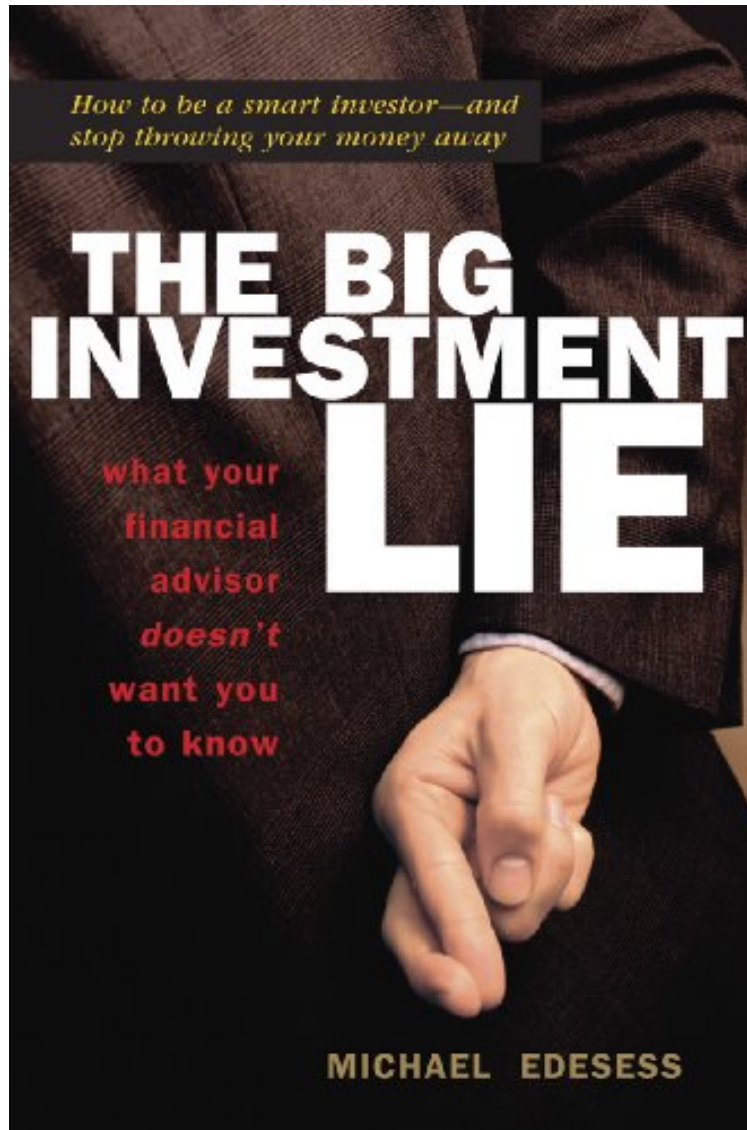


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## The Big Investment Lie: What Your Financial Advisor Doesn't Want You to Know

Michael Edesess

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**Michael Edesess : The Big Investment Lie: What Your Financial Advisor Doesn't Want You to Know** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Big Investment Lie: What Your Financial Advisor Doesn't Want You to Know:

1 of 1 people found the following review helpful. Covers Financial Advisors of all Sizes and Stripes By R. Coleman In The Big Investment Lie (Berrett-Koehler Publishers 2007), Michael Edesess provides a revealing, comprehensive, insider's view of the investment advice business. The business' foundation is what Edesess calls "the big investment

lie": the widely-held view -- reinforced through carpet-bombing marketing -- that professional active investment management provides clients with value. Edesess' mathematician background provides perspectives and insights. His "math logic," experience in the investment advice business, and detailed research will cause you to think again about the risk-adjusted, net-of-costs performance - past or likely future - of that Name Brand Financial Advisor (as seen on TV!) or that all-outward-signs-indicate-success alternative investments firm. The book's endnotes are very helpful and further drive home the author's points. A guess: deciding to title the book *The Big Investment Lie* was not easy. The title, although attention-catching, may have detracted from the book's greater acceptance because the title and a description of "the lie" itself are first stated without predicate. (The first sentence of the jacket's inside front cover doesn't mince words: "The investment advice and management industry is built on fraud: the idea that professional advisors can predictably and consistently help you get a better rate of return on your investments.") Many prospective readers may have thought the idea preposterous and read no further. And others may have concluded that the book must be enough out of the mainstream that it can't be serious. But the book absolutely is serious, and very worthwhile. Two observations: first, the book's overarching skepticism about investment professionals is not uplifting reading. But please persevere: the skepticism is well-founded and healthy for investment success. Second, portions of the book read like an atonement for Edesess' years in the business. I enthusiastically recommend *The Big Investment Lie*. It's an excellent, practical guide for someone considering a relationship with a financial advisor, stockbroker, or investment manager, and alternatives to that relationship. [...] 2 of 2 people found the following review helpful. Fun and informative. By Customerwell written book with many real life anecdotes. the author keeps it simple, which makes the book accessible to anyone but somewhat unsatisfying for professional investors. the author could have used his math and stat background to expose in greater details the lies told by managers and consultants. but overall this book is a very good read for individual investors. 1 of 1 people found the following review helpful. Best book on investments out there -- we need an update. By Julia Farr The book unmasks the big lie, yes. But mostly, all the little lies, the white lies, the myths, and misdirections of wall street. He also makes clear the incredible cost of active portfolio management and the cost of advice (charges as a % of assets under management). The book is also has great treatment of mean-variance optimization (what most advisors use these days to assist investors in developing a recommended asset allocation), how it works and why it doesn't. If you are an investor, it is the most complete list of traps. This is in the tradition of Burton Malkiel's "Random Walk" but does so much more.

The investment advice and management industry is built on fraud: the idea that professional advisors can predictably and consistently help you get a better rate of return on your investments. The industry sells us on this lie using manipulative tactics that are studied, refined, Wall Street minted, and Madison Avenue packaged. And extraordinarily effective. Here, Michael Edesess exposes the shocking truth that, in fact, behind the success of nearly every prosperous investment professional lies not the ability to procure higher rates of return on investment for his or her clients but the ability to procure astoundingly high fees from those clients and nothing more. Through fascinating and sometimes humorous anecdotes and straightforward explanations of investment theory and scientific evidence, Edesess reveals just how badly investors are being scammed by *The Big Investment Lie*. He examines how the master salespeople that make up the industry sell their cleverly concocted distortions of truth--to the tune of \$200 billion a year--to unsuspecting consumers who swallow them hook, line and sinker. He then shines a spotlight on the true cost of the industry's useless advice, showing that a prudent independent investor, following a conservative strategy, can reap anywhere from 40 percent to over 100 percent more than an investor who falls for *The Big Investment Lie*. Detailing the Ten New Commandments for Smart Investing--practical advice for how, where, and when to invest your money to maximize wealth--*The Big Investment Lie* provides the guidance you need to secure your financial future without throwing your hard-earned money away on the fraudulent investment advice industry.

From Publishers Weekly Having learned deceptive sales practices as a teenager selling magazine subscriptions, Edesess sold overpriced credit life insurance before becoming an investment adviser after a boss told him that "the way to make money is to handle money." By 2004, he found himself in Florida, failing to entice investors into a trading scheme that lost 80% over six months, when the company promoting the idea collapsed without paying him. That experience, he says, "provoked me to write" this book. But his pose as a reformed sinner is unconvincing. The how-to chapter on deceptive sales is more animated than his cursory review of academic literature arguing for low-cost, diversified, buy-and-hold strategies. He likes self-promoting investment failures, like the ones created by Charles Ponzi and the Beardstown Ladies, but disparages successful investors like Warren Buffett, Ed Thorp, George Soros and Julian Robertson. Edesess's most useful ideas are covered better in John Bogle's books, among others. (Jan.) Copyright copy; Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. About the Author MICHAEL EDESESS is an economist and mathematician with experience in the investment field and in the energy and environment fields. He was a founding partner and chief economist of the Lockwood Financial Group until its sale for \$200 million to The Bank of New York in September 2002. Previously an independent consultant to institutional investors, his clients included several of the largest investment banking and consulting firms. Dr. Edesess

has spoken at conferences on investment research and taught international finance at the graduate school level, has been published in *The Wall Street Journal* and *The Journal of Portfolio Management*, and has been interviewed on CNBC. He was a Senior Fellow at the University of Denver's Institute for Public Policy Studies and taught a wide variety of courses as an adjunct professor.