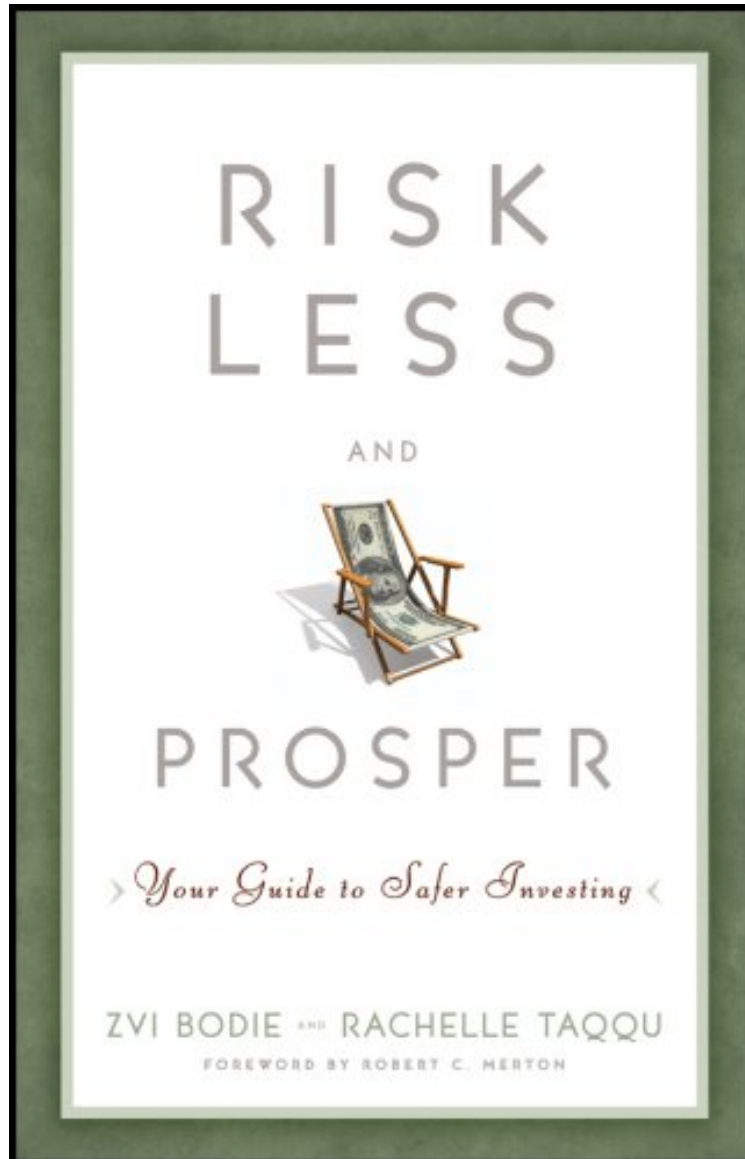


## Risk Less and Prosper: Your Guide to Safer Investing

Zvi Bodie, Rachelle Taquu  
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**Zvi Bodie, Rachelle Taquu : Risk Less and Prosper: Your Guide to Safer Investing** before purchasing it in order to gage whether or not it would be worth my time, and all praised Risk Less and Prosper: Your Guide to Safer Investing:

3 of 3 people found the following review helpful. Don't gamble the last third of your lifeBy EarnestlyernestI bought this for my two kids, also, and my daughter rearranged her 401K based on the info within. It also helped my solidify my retirement investments (I am retired now) to a combination of immediate annuities paying 6.7% vs recommended maximum of 4% savings withdrawals for essentials, and the majority in TIPS (U.S. Treasury Inflation Protected

Securities) for inflation protection, and systematic withdrawals as needed for luxuries like vacations and non-essential purchases. I have read Zvi Bodie's opinions for years and agree with his views on safety instead of (maybe) growth, i.e., stocks, i.e., gambling. I now have enough guaranteed income to pay for assisted living if I live to be 100 or more. Not many friends can say that. 3 of 3 people found the following review helpful. Interesting critique of reigning investment ideologies, but the advice to invest 100% in I-Bonds and TIPS fails to convince. By Tom Graham As a practical guide to action, it boils down to invest 100% in TIPS and I-Bonds. Those have extremely low yields... you can find bank CD's that are better. ON THE OTHER HAND, as far as critiquing the serious problems that have arrived with the ending of employer-provided defined benefit retirement plans for most Americans, and the inadequacy of the replacement-- invest in stock mutual funds in a 401(k), it's excellent. 7 of 7 people found the following review helpful. Very Worthwhile Advice on TIPS By Great Faulkner's Ghost While I appreciate DR's wide-ranging review, his last paragraph suggests that he rather misses the crucial point that Bodie is making, which I think is an important one: Diversification, which is what is pitched by the talking heads as the 'sensible' strategy for 401Ks, is actually a very poor and misguided strategy for most individual retirement investors, because it focuses on portfolio allocation -- inputs. What should be the goal is outcomes - will you have enough to guarantee a the minimum standard of living you will need in your old age. For example, even if a diversified portfolio will give you a 95% chance of reaching your minimum goal, that means that there is a 5% chance that you will not make it, which is disastrous for an old person. It could mean losing your house, not being able to get medical care, not having enough to eat. TIPS returns are guaranteed -- it has nothing to do with projections from past performance that DR suggests. With TIPS, you get back what you put, in real purchasing power, guaranteed by the US government. TIPS are what most ordinary people should be invested in, but because the financial industry makes no fees on them, you will never hear them touted by the talking heads on CNBC.

A practical guide to getting personal investing right Somewhere along the way, something has gone very wrong with the way individuals save and invest. Too often, households are drawn in by promotional suggestions masquerading as impartial investment advice. Consumers get saddled with more risk than they realize. Authors Zvi Bodie and Rachelle Taquu understand the dilemma that today's investors face, and with *Risk Less* and *Prosper* they will help you find your financial footing. Written in an accessible style, this practical guide skillfully explains why personal investing is all about you--your goals, your values and your career path. It shows how to understand investment risk and choose the particular blend of risk and safety that is right for you. And it lays out several simple yet powerful ways for small investors to cast a reliable safety net to achieve their financial goals and truly prosper. Coauthors Bodie and Taquu challenge the myth that all investments require risk, then highlight some important risks that families often disregard when deciding where to put their money. Later, they connect the dots between investment and investor, showing us all how to grasp our own investment risk profiles and how we may use these insights to make more fitting investment choices. Outlines a straightforward way to invest by aligning your investments with your goals and the risk levels you can bear Provides basic investment abc's for readers who are otherwise literate Lays out a simple, actionable plan for achieving your goals Explains the role of risk-free assets and investment insurance in assuring that you reach your most essential goals Contrary to popular belief, investing doesn't have to be complicated. You can build wealth without taking great risks. *Risk Less* and *Prosper* will show you how to make investment decisions that will make your financial life less stressful and more profitable.

.com QA with the Authors Author Zvi Bodie How can you personalize your investments? Personal investing is all about YOU--your goals, your resources, your circumstances, and your values and preferences. People often lose sight of this fundamental premise: They start by focusing on investment opportunities--but this is a recipe for getting overwhelmed and distracted. Instead, start by examining yourself. What are your human resources, your career plans, earning potential, entrepreneurial ability and ambitions? What do you value most? Are you willing to postpone consumption for later? What spending you consider essential? Your answers to these questions will shape the investment path that is right for you. Unfortunately, self-examination is more easily talked about than done. On top of that, your profile is dynamic. It will almost certainly change. To help you over these hurdles, *Risk Less* and *Prosper* takes you through six simple but high-impact steps toward picturing your personal investment profile in detail. It gives you target-practice exercises that you can return to year after year. Common assumption is that investing requires taking on risk. *Risk Less* and *Prosper* disputes that. How can one find the balance between risk and safety? The theory of lifetime investing, as developed by Paul Samuelson and Robert Merton in their canonical 1969 papers, assumes a risk-free asset and a single risky asset. The fundamental issue in investing is how much to invest in safe assets as opposed to risky ones. So investing involves a trade-off between safety and risk in search of higher returns. In the book, we show you how to find your personal risk set point--or the trade-off that's right for you. At a minimum, you will need a safety net that is strong enough to cover your most essential needs. You'll learn here how to go about owning one. Your risk tolerance is also relevant, although it's a separate and secondary matter. You'll gain some surprising insight into your own attitudes toward financial risk and why they may matter less than you think. Are

you "anti-risk"? Author Rachelle Taquu Not at all. We are for risk transparency. People should be told that investing in a diversified portfolio of stocks exposes them to significant risk of loss, no matter how long their time horizon. The conventional notion that risk declines over long time periods is just plain wrong. Paul Samuelson wrote 27 articles on this over the years. He was frustrated that his warnings went unheeded in the popular media. How can someone determine their investment profile? Read the experiences of the five men and women in our group. See our chapter on how to find good advice, and try to get some if you can. Set aside time for introspection, and follow the six steps for effective target practice that are spelled out in Part I. Refresh as needed. Assuming that they have already followed your suggestion to "know yourself," what one piece of advice would you give someone looking to invest in today's markets? Start by asking what the safest strategy will do for you. That is your benchmark. If you decide to take risk, realize that by definition you can wind up with a worse outcome than your safe benchmark. Who would benefit from reading your book *Risk Less and Prosper* Anyone who is confused, overwhelmed, or dissatisfied with their personal investment situation. People who are concerned about falling short of their basic financial goals. Everyone who believes in the scientific method. "Bodie and Taquu have staked out important ground in terms of reconsidering the basic paradigm for long-term saving and investing and presenting a new approach in an engaging and thoughtful manner." (Portfolio.com, February 2012) "...a good read for those of you who are skeptical of investing in today's stock market. But it is a must-read for those of you who actually think that you know what you are doing." (Huffington Post, January 2012) Somewhere along the way, something has gone very wrong with the way individuals invest and save. All too often, ordinary people are drawn in by promotional suggestions masquerading as impartial investment advice and end up saddled with more risk than they realize. There truly is an urgent need for real advice to combat the confusion and false impressions fostered by much of today's conventional investment "wisdom." What's needed is a better investment path, one that leads investors to their financial goals without risking calamity. Coauthors Zvi Bodie and Rachelle Taquu understand the dilemma that investors face, and now, with *Risk Less and Prosper*, they share their experience in this field with you and reveal how the robustness of goal-based investing, as a new approach to personal finance, can put you in a better position when it comes to funding your retirement, paying for a child's higher education, or achieving other important long-term goals. Engaging and informative, this timely guide follows a small group of men and women who are meeting together, along with a financial advisor, in order to improve their personal investments. Each member of this group is based on a composite of real people, and while all are dealing with different financial circumstances, they are brought together by their shared state of confusion about what to do. *Risk Less and Prosper* skillfully explains why personal investing is all about you—your goals, your values, your career path, and your preferences. It shows how to understand investment risk and choose the particular blend of risk and safety that is right for you. And it lays out several simple yet powerful ways for individual investors to cast a reliable safety net to achieve their financial goals and truly prosper. As you follow the group's progress, this book will:

- Help you develop a clear picture of your financial destination, attach a price tag to your vision together with a timetable, and align them with expected funding sources
- Show how to determine your risk set point and decide how much risk makes sense for you
- Take you through the ins and outs of two different kinds of easy-to-understand, real-return instruments: U.S. Treasury Inflation-Protected Securities (TIPS) and inflation-protected U.S. Government Savings Bonds (I Bonds)
- Talk about some techniques for matching your investments with the spending outcomes you desire or need
- Introduce you to a range of riskier investments—focusing on stocks in particular—after you have invested in enough safe assets to cover your basic needs
- Offer essential pointers on how to find an impartial, trustworthy financial advisor

Contrary to popular belief, investing doesn't have to be complicated. You can build a safety-first, goal-based investment portfolio without taking great risks. *Risk Less and Prosper* will show you how to do this and much more, as you make investment decisions that will make your financial life less stressful and more profitable.