

Wealth of Experience

Robin Bowerman and Jeremy Duffield © 2002

This book is well written and contains useful supporting information. The most powerful aspect of this book is in hearing the voices of personal investors who share their best and worst investing decisions and their advice.

This book sources its insights from experienced individual investors surveyed by the authors while Robert was Editor of Personal Investment Magazine and Jeremy, who is the MD of Vanguard Investment Australia Ltd.

The voices of experience focus on ten important factors:

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|--|-----------------------------------|
| 1. Starting early | 6. Property |
| 2. Doing your homework | 7. Managed funds |
| 3. Getting the risk level right | 8. Diversification |
| 4. Finding good advice | 9. Perils of market timing |
| 5. Shares | 10. Having a plan |

(1-3)

On ...	Investors' Experience
Starting early	<p>[worst decision] 'My worst mistake was not starting an investment strategy early enough ... and not making much more effective use of negative gearing'.</p> <p>[advice] 'Start as soon as possible. Invest on a regular basis. Spread your investments across the major asset classes'. 'Stop thinking about it and do it'. 'Consistency and compounding beat brilliance in investing every time'.</p>
Do your homework	<p>[worst decision] '... buying shares on the internet before really knowing what I was doing'.</p> <p>[advice] 'Do your homework and leave your emotions at the door. Tips and suggestions from anybody, including brokers, should be regarded with extreme caution'. 'Educate yourself. Seek good independent advice'. 'The best decision I made was investing in my own investment education'.</p>
Getting the risk level right	<p>'Don't forget your time horizon is the rest of your life [not to retirement]'.</p> <p>[worst decision] 'Investing in term deposits with the Commonwealth Bank when I should have bought the shares instead'.</p>

(4-6)

On ...	Investors' Experience
Finding good advice	<p>[worst decision] 'taking notice of so-called experts including those published in reputable magazines, journals and newspapers', 'buying OneTel after broker's recommendation and his opinion that Murdoch and Packer would never let it go bad'.</p> <p>[advice] 'shop around for a financial adviser that you feel comfortable with – not a pushy fast talker'.</p>
Shares	<p>[best decision] 'shares'</p> <p>[worst decision] 'shares' <i>highlighting not all experiences are the same</i></p> <p>[worst decision] 'going for out of this world offers', 'buying and using several stock picking programs'</p> <p>[advice] 'seek out value primarily within core blue-chip stocks. Only a small portion of my portfolio is based on speculative shares and most importantly I have learnt the need to diversify'</p>
Property	<p>[best decision] 'property'</p> <p>[worst decision] 'land' ... <i>as above</i></p> <p>[advice] 'own your own home and do it as quickly as possible unless you are certain you are comfortable with long term renting', 'beware of unscrupulous sales approaches that rely heavily on property 'can lever lose' status. If it sounds too good to be true, it probably is', 'you can make good returns but it requires a lot of knowledge and work to get results'</p>

(7-10)

On ...	Investors' Experience
Managed funds	<p>[best decision] 'investing regularly into a managed funds. It has had its ups and downs but consistent saving [is] preferable to one-off attempts to strike it rich' ; 'pulling out of my active managed funds ... and moving to index funds'</p> <p>[worst decision] 'getting taken by tech fever', 'putting money needed for a major purchase into a managed share fund when I knew I needed the money in 18 months'</p> <p>[advice] 'I keep more than 60% of funds in index and spend most of my time thinking about the asset allocation', 'better for me to not worry about various stocks and start worrying about my long-term direction. Having a good range of funds works for me'</p>
Diversify	<p>[best decisions] 'thanks to diversification, as some of the blue-chip shares have crashed, the overall portfolio survived'</p> <p>[worst decision] 'Putting all my money and savings with one fund manager'</p> <p>[advice] 'diversify through your asset allocation. Be comfortable with the risk you take on and don't panic when investments take a downturn'.</p>
Market timing	<p>[best decision] 'to stop trying to buy low and sell high and concentrate on saving so I regularly have money to buy at the low and to use dividend reinvestment plans'</p> <p>[worst decision] 'selling all short and medium term positions because of 9/11 ... I tell everyone about this embarrassing decision so they maybe will avoid doing the same', 'being greedy and not selling before the tech wreck', 'selling too quickly'.</p>
Having a plan	<p>[worst decision] ' not starting a long term plan when I first started work (i.e. 35 yrs ago)'</p>

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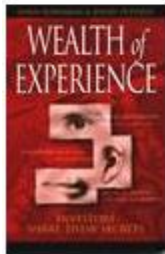
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Warren Buffett learnt from Benjamin Graham and today many investors use Buffett's techniques when investing on the sharemarket. In Wealth of Experience, Robin Bowerman and Jeremy Duffield explore information gathered from the 'Voices of Experience' survey – a joint venture by Vanguard Australia and Personal Investor – which asked people to share their investing experiences, good or bad, with the aim of helping others. Jeremy Duffield is the Managing Director of Vanguard Investments Australia Ltd, which specialises in index funds. Robin Bowerman is the Editor of Personal Investor magazine.

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