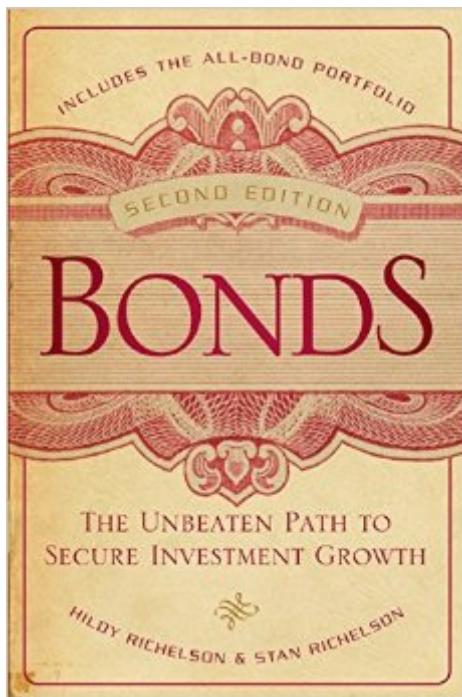


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Bonds: The Unbeaten Path To Secure Investment Growth



Synopsis

Updated edition of the established classic on investing in bonds In Bonds: The Unbeaten Path to Secure Investment Growth, Second Edition, the fully revised and updated edition of the classic guide to demystifying the bonds market, veteran investor husband and wife team Hildy and Stan Richelson expose the myth of stocks' superior investment returns and propose an all-bond portfolio as a sure-footed strategy that will ensure positive returns. Designed to educate novice and sophisticated investors alike, as well as to serve as a tool for financial advisers, the book explains why and when bonds can be the right choice. Case studies, detailed bond strategies, and a financial planning overview bring home the value of bonds in achieving financial goals. Presenting a broad spectrum of bond-investment options, and describing how to purchase bonds at the best prices, the book shows how to make real money by investing in bonds. The strategies presented here are designed to help the reader determine how to use bonds to take control of their own financial destiny. New edition includes information on corporate bonds, emerging market bonds, municipal bonds, the new global ratings, and how to protect against municipal defaults Looks at how bond portfolios protected against market volatility in the 2007-2008 crash and how they can do the same in the future Includes information on how the bond market has changed The wealthiest investors and financial advisers use the bond strategies outlined in this book to maximize the return on their portfolios while providing security of principal With more bond options available than ever before, Bonds continues to be a must-have for anyone looking to understand the investment opportunities available to them.

Book Information

Hardcover: 560 pages

Publisher: Bloomberg Press; 2 edition (September 27, 2011)

Language: English

ISBN-10: 1118004469

ISBN-13: 978-1118004463

Product Dimensions: 6.5 x 1.6 x 9.4 inches

Shipping Weight: 2 pounds (View shipping rates and policies)

Average Customer Review: 4.4 out of 5 starsÂ See all reviewsÂ (77 customer reviews)

Best Sellers Rank: #495,747 in Books (See Top 100 in Books) #84 inÂ Books > Business & Money > Investing > Bonds #123659 inÂ Books > Reference

Customer Reviews

A little background on myself. I have read over 200 books on investing. When I started investing back in 1979, I went 100% stocks. Back in 1979, the financial press was full of stories about retired people with bonds that were decimated by the high inflation of the late 1970's. Bonds were probably the worst investment back in that high inflationary environment. I stayed 100% stocks for 20 years, and then switched to 10% bonds in 1999. In late 2007, I switched to a 60:40 portfolio. I evaluated my need to take risk against my willingness to take risk...and settled on the time honored 60:40 portfolio of pension funds. The authors of this book try to make the case for a 0:100 or all bond portfolio. They assert the 10% return of stocks is really 6-7% because of taxes, expenses, and bad timing. Taxes reduce stock returns because of excessive trading by active mutual fund managers. Expenses reduce stocks returns because of transaction costs and annual fees. Their assertion is 2% on large cap, 4% on small cap and foreign stock funds, and 10% on micro-cap and emerging markets. Bad timing reduces the return of stocks because investors chase the winners and they buy high and sell low. The Dalbar studies have shown for years that most investors do not really get the market return of stocks. The authors cite the fact that the S&P 500 returned 12.8% from 1983-2003..while the average investor only got 6.3%. The author cites a Dalbar study where the market returned 12% and investors really got 4%. The authors claim that a 100% bond portfolio solves all the issues that lower the return of stocks. They assert bonds are low cost if you buy them at their initial offering. They assert low fees if you hold the bonds to maturity.

The authors have written an excellent book on bonds which I highly recommend. The trouble with bonds is that their investment value can not be separated from the fate of the currency they are denominated in. If we buy one bond, we buy in fact a legal claim for the payment of \$1000 at some future date. It is almost certain that these 1000 future Dollars will have a smaller purchasing power than the 1000 Dollars spent today. Nobody will invest into bonds if the money returned in the future is worth less than the money spent today to buy these bonds. To compensate for this loss of value due to inflation, bonds pay interest every year at a certain rate (depending on prevailing market rates and on the credit rating of the bond issuer). In times of declining inflation rates (as it happened during the past 25 years from 1982-2005), bonds are excellent investments due to the fact that the interest paid is well above the prevailing inflation rate. The big question is whether this benign inflation climate will continue to hold in the future. It is the only major weakness of the book under review that the authors do not address this question properly. Personally, I believe that the next 25 years will be very hostile to bond investments. That belief is based on the following observation. The total amount of all financial assets (bonds, stocks, derivatives etc) is growing at an exponential rate.

These financial assets are claims on future products and services. As the present credit crisis shows, we already reached the stage where the real economy can not produce enough real goods and services in order to match the growth of financial assets. This crisis will only grow larger in the future, partly due to constraints on the availability of resources (peak oil for instance).

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