DIY Financial Advisor: A Simple Solution to Build and Protect Your Wealth (Wiley Finance)

Wesley R. Gray, Jack R. Vogel, David P. Foulke
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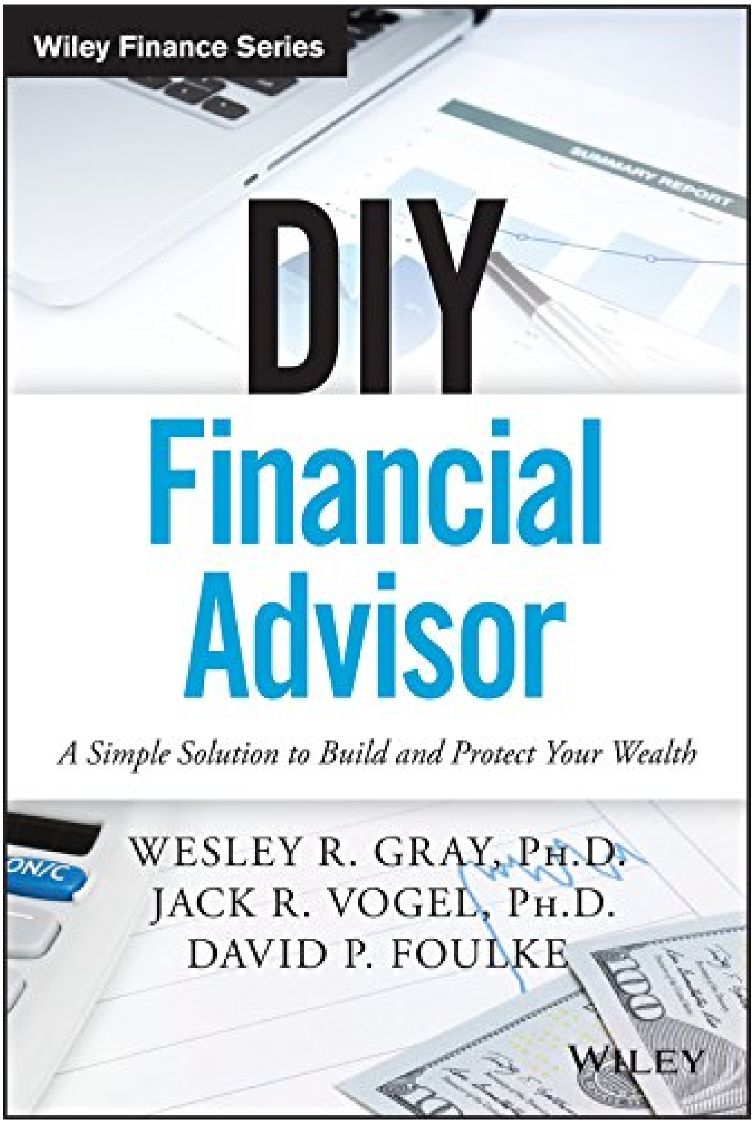

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Wesley R. Gray, Jack R. Vogel, David P. Foulke : DIY Financial Advisor: A Simple Solution to Build and Protect Your Wealth (Wiley Finance) before purchasing it in order to gage whether or not it would be worth my time, and all praised DIY Financial Advisor: A Simple Solution to Build and Protect Your Wealth (Wiley Finance):

76 of 76 people found the following review helpful. Another Book Review From The Aleph BlogBy David MerkelI am generally not a fan of formulaic books on investing, and this is particularly true of books that take unusual

approaches to investing. This book is an exception because it does nothing unusual, and follows what all good quantitative investors know have worked in the past. The past is not a guarantee of the future, but if the theories derived from past data make sense from what we know about human nature, thatrsquo;s about as good as we can get.The book begins with a critique of the abilities of financial advisors mdash; their fees, asset allocation, and security selection. It then shows how models of financial markets outperform most financial advisors.Then, to live up to its title , the book gives simple versions of models that can be applied by individuals that would have outperformed the markets in the past. You can beat the markets, lower risk, and ldquo;Do It Yourself [DIY].rdquo; It provides models for asset allocation, stock selection, and risk control, simple enough that a motivated person with math skills equal to the first half of Algebra 1 could apply them in a moderate amount of time per month. It also provides a simpler version of the full model that omits the security selection for stocks.The book closes by offering three reasons why people wonrsquo;t follow the book and do it themselves: fear of failure, inertia, and not wanting to give up an advisor who is a friend. It also offers three risks for the DIY investor mdash; overconfidence, the desire to be a hero (seems to overlap with overconfidence), and that the theories may be insufficient for future market behavior.This is where I have the greatest disagreement with the book. I interact with a lot of people. Most of them have no interest in learning the slightest bit about investing. Some have some inclination to learn about investing, but even the simple models of the book would make their heads spin, or they just wouldnrsquo;t want to take the time to do it. Some of it is similar to seeing a Youtube video on draining and refilling your automatic transmission fluid. You might watch it, and say ldquo;I think I get it,rdquo; but the costs of making a mistake are sufficiently severe that you might not want to do it without an expert by your side. Most will take it to the repair garage and pay up.I put a knife to my own throat as I write this, as I am an investment advisor, but there is more specialized knowledge in the hands of an auto mechanic than in an investment advisor, and the risk of loss is lower to manage your own money than to fix your own brakes. That said, enough people after reading the book will say to themselves, ldquo;This is just one author, and I barely understand the performance tables in the book mdash; if right, am I capable of doing this? Or, could it be wrong? I canrsquo;t verify it myself.rdquo;The book isnrsquo;t wrong. If you are willing to put in the time to follow the instructions of the authors, I think you will do better than most. My sense is that the grand majority people are not willing to do that. They donrsquo;t have the time or inclination.QuibblesThe book could have been clearer on the ROBUST method for risk control. It took me a bit of effort to figure out that the two submodels share half of the weight, so that when submodels A B flash green mdash; 100% weight, one green and one red mdash; 50% weight, both red mdash; 0% weight.Also, the book is enhanced by the security selection model for stocks, but how many people would have the assets to assemble and maintain a portfolio with sufficient diversification? The book might have been cleaner and simpler to leave that out. The last models of the book donrsquo;t use it anyway.Summary / Who Would Benefit from this BookI liked this book, and I recommend it for those who are willing to put in the time to implement its ideas. This is not a book for beginners, and you have to be comfortable with the small amount of math and the tables of financial statistics, unless you are willing to trust them blindly. (Or trust me when I say that they are likely accurate.)But with the caveats listed above, it is a good book for people who are motivated to do better with their investments.66 of 68 people found the following review helpful. Good Book That Leads To A Very Interesting Conclusion - Active Factor Based RoboadvisorsBy HatchManI really like Wesley Gray, his team, his research, and his approach. I've read his other books, and they are extremely good. I really liked Quantitative Value (which has forever more made me want to tilt my portfolio to value, no matter how that strategy performs in the short term). These are very smart people, and they work hard to make very complicated mathematical models as simple and understandable as possible to those of us who don't have doctorates.While I liked this book and would recommend it, I did not find it quite as good as his prior book. While I think the conclusions of this book are very valid and the advice fairly sound, it feels like you are being sold in this book. What you are being sold is his firm's approach to asset management. At the conclusion of the book, if you truly wish to implement 100% of what he has recommended, I think 99% of people will realize they can't honestly do it themselves and so will then decide to hire his firm to do it for them. His firm runs an asset management as well as 4 ETFs (international value, US value, international momentum, and US momentum) that perfectly match the four strategies the asset management firm would want to implement as part of a reasonable diversified account.Here's the punchline - that conclusion will cost you 0.25% management fee plus the blended cost of the ETFs used, so let's just say it will average out to approximately 1%. Maybe a bit less.What do you get for this? Perhaps a lot, if you buy into the philosophy that active formula driven investing in value and momentum strategies will outperform the asset weighted passive broad strategies currently being recommended by Vanguard, Wealthfront, Betterment, etc.The numbers and the research are compelling. And if you don't like passive ETF investing, and are even thinking about putting $1 into active management to try to beat the market then I think you'd be very very well served to buy this book, carefully read it, and at least consider hiring these guys to manage your money.Personally... I'm not yet convinced. Their models work beautifully with data-mining back testing, but I'm watching these ETFs very carefully and I'd at least like to see a couple years of out-performance before I'm ready to put my entire nest egg into this strategy. There are two main reasons for this.... 1) it's more expensive and as Wes states, fees and costs matter a lot, and 2) their strategies are not as tax efficient as most passive ETF strategies, and taxes matter a great deal to me in my taxable account.While waiting to see if the backtested outperformance translates into moving forward outperformance that offsets the tax inefficiency and the higher fees, I'm leaving my taxable accounts at Wealthfront for the automated modern portfolio theory driven allocation in a diversified portfolio (for same .25% fee, but with cheaper ETFs that are more tax efficient), and I leave tax-protected IRA funds into a simple Vanguard Total World Stock Market ETF at .17 annual fees, plus some bond exposure. I could easily allocate assets to a diversified portfolio, but what I really am paying 25 basis points to a third party is for daily tax loss harvesting.So that's the conclusion I get from this book -1) Whatever you do, don't leave your account with some relationship based financial advisor who charges you .75 to 1% annually to throw your money into some mix of ETFs or mutual funds. Run, don't walk away from this. You are killing your future you. Pay for non portfolio financial planning on an hourly basis like you would a lawyer.2) Invest in a relatively simple, globally diversified mix of assets that mixes equity, income instruments, and real assets using some reasonable formula. You can get these for free at Wealthfront before signing up or from Wes' book here, and it's hard to argue against the simple 4-6 asset class allocations they provide.3) Keep things simple, low cost, and robust, and reap the advantages over time.TL;DR Conclusion - This book proposes an active management roboadvisor type approach that is very different from the more common Wealthfront/Betterment Modern Portfolio Theory Vanguard market cap weighted ETF based models. It's more expensive, but the backtested math says that it's probably worth paying more for. Only time will tell if that's the case.0 of 0 people found the following review helpful. Five StarsBy William WestVery good advice for individual stock investors

DIY Financial Advisor: A Simple Solution to Build and Protect Your WealthDIY Financial Advisor is a synopsis of our research findings developed while serving as a consultant and asset manager for family offices. By way of background, a family office is a company, or group of people, who manage the wealth a family has gained over generations. The term 'family office' has an element of cachet, and even mystique, because it is usually associated with the mega-wealthy. However, practically speaking, virtually any family that manages its investmentsmdash;independent of the size of the investment poolmdash;could be considered a family office. The difference is mainly semantic. DIY Financial Advisornbsp;outlines a step-by-step process through which investors can take control of their hard-earned wealth and manage their own family office. Our research indicates that what matters in investing are minimizing psychology traps and managing fees and taxes. These simple concepts apply to all families, not just the ultra-wealthy. But canmdash;or shouldmdash;we be managing our own wealth? Our natural inclination is to succumb to the challenge of portfolio management and let an 'expert' deal with the problem. For a variety of reasons we discuss in this book, we should resist the gut reaction to hire experts. We suggest that investors maintain direct control, or at least a thorough understanding, of how their hard-earned wealth is managed. Our book is meant to be an educational journey that slowly builds confidence in one's own ability to manage a portfolio. We end our book with a potential solution that could be applicable to a wide-variety of investors, from the ultra-high net worth to middle class individuals, all of whom are focused on similar goals of preserving and growing their capital over time. DIY Financial Advisor is a unique resource. This book is the only comprehensive guide to implementing simple quantitative models that can beat the experts. And it comes at the perfect time, as the investment industry is undergoing a significant shift due in part to the use of automated investment strategies that do not require a financial advisor's involvement. DIY Financial Advisor is an essential text that guides you in making your money work for youmdash;not for someone else!

From the Inside FlapDIY Financial Advisor gives individual investors the information and tools they need to take control of their hard-earned money and manage their own wealthmdash;no matter how much or how little they have. The key advantage any individual investor has over so-called "institutional" investors is the ability to make long-term investment decisions that maximize after-tax, after-fee, and risk-adjusted performance, without fear of a misalignment of incentives. Those who own the money are the best stewards of the money. In this essential resource, Wesley R. Gray, Jack R. Vogel, and David P. Foulke show what it takes to stop relying on so-called experts and become a savvy investor. The authors outline an investment strategy that reduces fees, banishes psychological fears and traps, and shows how to minimize taxes by limiting trading activity, engaging in smart planning, and by following some simple rules. DIY Financial Advisor empowers investors to maintain direct control of their portfolios and shows how to implement simple quantitative models that can beat the experts. In easy-to-understand terms, they explain the vital importance of sticking to the FACTS (fees, access, complexity, taxes, and search). This proven framework outlines straightforward concepts that apply to everyone, from the middle-class to the mega-rich. DIY Financial Advisor is as timely as it is informative. The investment industry is undergoing a significant shift due in part to the use of automated investment strategies that do not require a financial advisor's involvement. Let DIY Financial Advisor be your hands-on guide for making your money work for youmdash;not for someone else!From the Back CoverPraise for DIY Financial Advisor "Surprisingly simple advice: Avoid these common mistakes, make these small improvements, and voilagrave;! Better investing performance!" mdash;Barry Ritholtz, Chief Investment Officer, Ritholtz Wealth Management "Sophisticated yet sensible advice is typically afforded to only the wealthiest individuals and institutions.

Now it is accessible to all in DIY Financial Advisor. A must read." mdash;Eric Balchunas, Senior ETF Analyst, Bloomberg Intelligence and author of The Institutional ETF Toolbox "DIY Financial Advisor is a great read for investors who want to take their retirement into their own hands. Wes Gray co. bring a ton of enthusiasm to the topic while arming their readers to the teeth with useful information." mdash;Joshua M. Brown, author of the bestselling book Backstage Wall Street, founder of The Reformed Broker blog, and star of CNBC's The Halftime Report "Wall Street's so-called experts are overconfident, biased, and out to sell you a story. That is why DIY Financial Advisor is such a valuable resource." mdash;Tadas Viskanta, Founder and Editor of Abnormal Returns, author of Abnormal Returns: Winning Strategies from the Frontlines of the Investment Blogosphere "Investors are told their success relies on complex strategies and expert forecasts about the future. Using an evidence-based approach, Gray, Vogel, and Foulke prove why this isn't the case. A great read!" mdash;Ben Carlson, author of A Wealth of Common Sense: Why Simplicity Trumps Complexity in Any Investment PlanAbout the AuthorWESLEY R. GRAY, PHD, is the founder of Alpha Architect, LLC, where he is the executive managing member. Dr. Gray is the co-author of Quantitative Value: A Practitioner's Guide to Automating Intelligent Investment and Eliminating Behavioral Errors. JACK R. VOGEL, PHD, is a managing member of Alpha Architect, LLC, where he heads the research department, writes papers on empirical asset pricing, and serves as the Chief Financial Officer. DAVID P. FOULKE is a managing member of Alpha Architect, LLC. He assists in business development, firm operations, strategic initiatives, and developing papers on quantitative investing and behavioral finance topics.