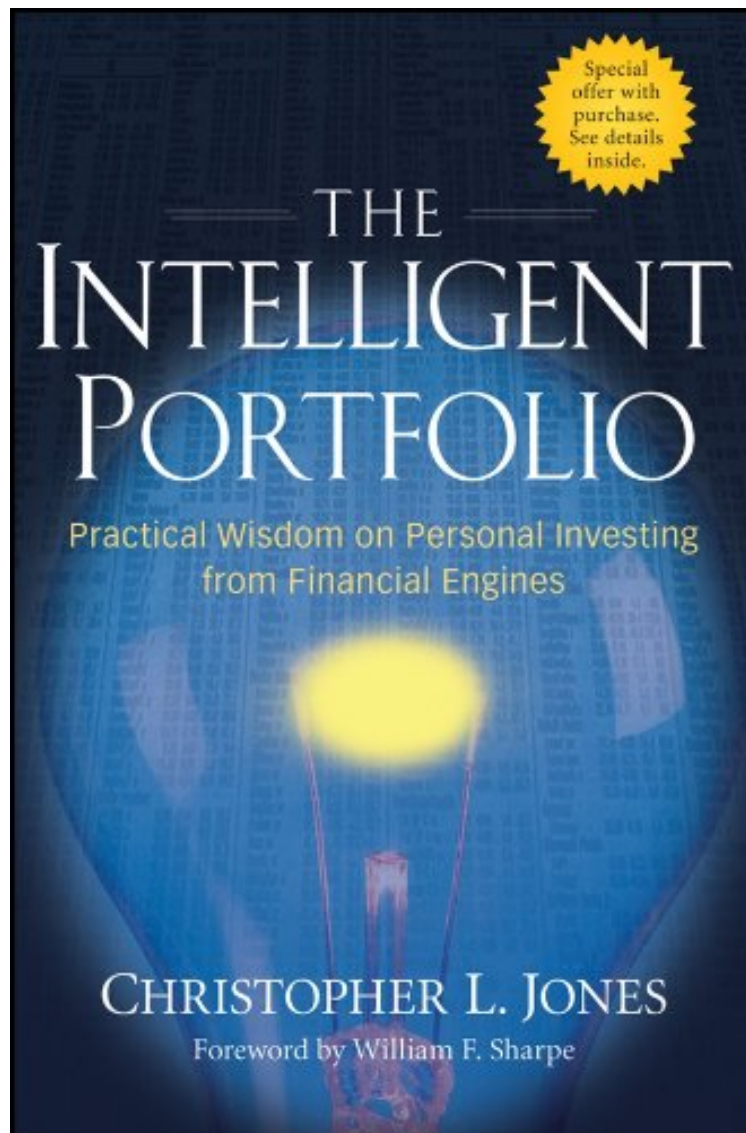


The Intelligent Portfolio: Practical Wisdom on Personal Investing from Financial Engines

Christopher L. Jones

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Christopher L. Jones : The Intelligent Portfolio: Practical Wisdom on Personal Investing from Financial Engines before purchasing it in order to gage whether or not it would be worth my time, and all praised The Intelligent Portfolio: Practical Wisdom on Personal Investing from Financial Engines:

4 of 4 people found the following review helpful. Intelligent Portfolio ReviewBy Paul in Greenwood VillageFor some background, I have very complete education in finance, including emphasis in both undergrad and graduate school, as well as a CFA. That said, I'm always interested in sharpening my skills or a few refreshers. When I started reading this

book, it initially seemed like a promotional piece for the author's web site and financial engines software. However, as I progressed through the book, there was some valuable information. As I recall (been a while since reading), the author spends time pointing out the weaknesses of some of the traditional methods of measuring portfolio risk. He then uses several examples of how a monte-carlo-type approach to forecast potential paths of individual stock prices can give you a better idea of how much idiosyncratic risk lies in the portfolio and how that may impact your range of portfolio outcomes. His data output is also conveyed differently. Instead of expected volatility, beta, and the usual measures, he looks at scenarios such as: if you invest \$10,000 today and your goal is \$20,000 in 10 years, what is the probability of you exceeding that goal, coming close, or even having a loss. He runs through this math under various types of portfolios - single stocks, funds, etc. (I believe he ran the simulations ex-post) The author also does an interesting dissection of the various costs that go into an actively managed portfolio (e.g. turnover impact on taxes, bid/asks, contradictory incentives, other expense, You'll come away with a different perception of what risks you are taking in your accounts.

2 of 2 people found the following review helpful. Excellent, Recommended, But Could Be Better By @CyberSpaceSAI found this book to be the best I have read to date on individual investing, asset allocation and portfolio management after years of struggling with investment decisions. Most of my prior judgement and errors in investing seems to have come from a lack of understand of the risks of purchasing individual stocks and knowledge of various asset allocation strategies; and so my prior investments in the stock market seemed more like gambling than investing. I found the information in this book great for helping me build my current portfolio; and there is little doubt that if I had read this book 30 years ago my retirement portfolio would be much larger than it is today. This book also comes with a (free) one year subscription to the Financial Engines retirement planner. I found this online tool to be very useful; but it could be better. One of the things I found the most dissatisfying about the online planner was the fact that the recommendation engine, when building a portfolio, has zero ETFs in their database. Financial Engines does not think this is serious gap; but I do. For example, this book discusses in great detail the importance of looking at the expense ratio for a fund before investing and, in general, strongly advocates the picking funds with low expense ratios. However, it is a kind of irony that the Financial Engines recommendation engine has zero (no) ETFs in their database; most of which have lower expense ratios than the myriad mutual funds in their recommendation engine. When I asked their customer service team about this via email, the reply was basically "we don't want to build our database large with so many ETFs" (or something to that effect). This was really annoying to me since I tend to build my entire portfolio with ETFs. As a side note ETRADE and Fidelity do not have this "problem"; and when you use their portfolio building tools to create and analyze potential asset allocation strategies versus risk, you can build with ETFs, no problem at all. The second "caution" I have is also regarding the Financial Engines online aggregation tool. You have a choice to enter the userid and passwords of your brokerage accounts and have their tool automatically populate their engine with your portfolio (over the web), or you can enter your portfolio data manually. In the beginning, without experience, I did this automatically versus manually, thinking (in error) it would save time. The problem with this, which is not explained by Financial Engines, is that many financial institutions will flag logins from the Financial Engines aggregation servers as "fraud" because of the fraud detection rule "logins from multiple geographic locations in a specific time period". Because of this issue, I was locked out of my primary financial services provider time and time again; and each time I had to call them, answer myriad security questions to unlock my account. This happened even when I was on the phone with the provider because the fraud detection engine simply viewed the logins from the Financial Engines aggregation engine as "suspicious" when their server is far from where I am, geographically. I learned the hard way (and it took nearly a week to figure this out) NOT to use their automatically "pull from my brokerage accounts" feature and to enter all details manually. This seems like it would take longer (manually), but actually it takes much less time than being on the phone time and time again and having your accounts unlocked because of the fraud detection flag triggered by their aggregation server. Take my advice, and do it manually. Don't provide your user ids and passwords of your financial accounts to their aggregation server. You will also sleep easier, LOL. Overall, the book was excellent, is recommended, and please do not let my words of caution above discourage you from purchasing this book. This is a good book; and like any tool, use it properly and you will benefit. The same is true for the online tool provided for one year as a free service when purchasing this book. This is a good tool; but not having any ETFs in their database is unacceptable (to me). Also, the first half of the book was much better than the second half. The first half provided good information; while the second half seems like too much "filler" information (repeated from the first half) and repetitive-ish "case studies as illustrations" which were not really helpful at all in my view. Frankly, I think this book would be better if the author rewrote the second half to exclude the repetition and case study illustrations; and include more information on how Beta, Alpha, and the Sharpe ratios correlate to their recommendation methodology. In the book the author does a good job of explaining how Alpha is often more "good luck" than "skill" and also, how this past performance is not very useful, in general. However, Beta is not really covered, nor is how to leverage Negative Beta to lower portfolio market risk. The Sharpe Ratio is also not covered (this is big gap, in my view); and none of these standard risk indicators are discussed in any detail relative to how the Financial Engines analysis engine works. This information would have been much more useful than the repetition in the second half of the book. Overall, I highly recommend this book to all who have limited

experience in asset allocation and portfolio management. This book is useful for people of all ages, and the sooner you read it when a young adult, the more money you will have in your retirement years. There is no doubt that this is a useful book; but it could be even better in my view. 0 of 0 people found the following review helpful. Best helpful advice I have ever read or received !By HenryThis is one of the best investment books I have ever read ! Period !Mr. Christopher Jones has the working person's interest at heart (especially those of us who are turned loose managing their own retirement accounts)!He is an excellent and talented writer and a competent businessman.His firm (Financial Engines) pioneered online unbiased 401K guidance to thousands upon thousands of hardworking Americans--and their families--who struggle to save, diversify and allocate for retirement (and then wish they had some help!)I am one of them and wish I heard about his book (and Financial Engine's Personal Online Advisor) years ago !He has an excellent way with words and each page is value-added.Mr. Jones takes the reader on a practical approach to investing. The book gives wonderful, reassuring and practical advice on the need for a well-thought out strategy. Strategies that can benefit from sound advice--not guesses. And if you are not a seasoned day-trader (most of us aren't) or don't have the wisdom of a professional financial advisor (I certainly don't) then the resources in this book are for you.The book also addresses how financial planning tools (such as Financial Engine's Personal Online Advisor) watches the performance of individual funds offered in your retirement plan and keeps an eye on each fund's expense ratio, asset turnover and management style and suggests wise changes to the portfolio according to one's investment horizon and risk level.I use the Personal Online Advisor tool as part of my company's 401K plan and love it !The Financial Engines on line tool is based on the the work of a Nobel Prize winning author and educator. It is interactive, enjoyable and allows one to accurately setup his or her portfolio--and sleep at night knowing you diversified and managed risk correctly by not guessing or chasing after the latest hot fund.My experience in using the advice in this book--including the Personal Online Advisor--has been totally rewarding, gratifying and beneficial. The methods and tools that Financial Engines uses are similar to the tools that managers of large pension plans use.Thank you, Christopher Jones--and Financial Engines--for generously sharing your time, resources and practical advice with us.This book is a real keeper !

The Intelligent Portfolio draws upon the extensive insights of Financial Engines—a leading provider of investment advisory and management services founded by Nobel Prize-winning economist William F. Sharpe—to reveal the time-tested institutional investing techniques that you can use to help improve your investment performance. Throughout these pages, Financial Engines' CIO, Christopher Jones, uses state-of-the-art simulation and optimization methods to demonstrate the often-surprising results of applying modern financial economics to personal investment decisions.

"The irreverence [Jones] displays toward history as a predictor for investment is one of dozens of viewpoints that fly in the face of conventional portfolio-building wisdom." --The Star-Telegram "A very comprehensive book which covers risk versus rewards, past performance versus future expected returns, market timing versus long term investing, and investing in individual stocks versus investing in mutual funds. He also discusses diversification, fees and expenses, and the tax consequences of investing. All of his recommendations are backed up with extensive research and presented in an easy-to-understand manner."--Stockerblog "The irreverence [Jones] displays toward history as a predictor for investment is one of dozens of viewpoints that fly in the face of conventional portfolio-building wisdom." --The Star-Telegram "A very comprehensive book which covers risk versus rewards, past performance versus future expected returns, market timing versus long term investing, and investing in individual stocks versus investing in mutual funds. He also discusses diversification, fees and expenses, and the tax consequences of investing. All of his recommendations are backed up with extensive research and presented in an easy-to-understand manner."--Stockerblog From the Inside Flap The key to good investment decisions is making informed choices. And while you cannot predict the future, it is possible to create investment strategies that can maximize your chances of success. In The Intelligent Portfolio, author Christopher Jones shows you how this can be accomplished. Written with the thoughtful investor in mind, The Intelligent Portfolio draws upon the extensive insights of Jones and Financial Engines—a leading provider of investment advisory and management services founded by Nobel Prize-winning economist William F. Sharpe—to reveal the time-tested institutional investing techniques that individuals can use to help improve their investment performance. Throughout these pages, Financial Engines' Chief Investment Officer, Christopher Jones, uses state-of-the-art simulation and optimization methods to demonstrate the often-surprising results of applying modern financial economics to personal investment decisions. By illustrating the realistic range of possible investment outcomes, Jones skillfully reveals how the decisions you make today can impact your financial future. Challenging conventional wisdom that often leads both novice and experienced investors astray, The Intelligent Portfolio builds from basic intuition on how financial markets function to practical tips on evaluating investment trade-offs and real-world advice on selecting investments to better reach your goals. Along the way, you'll be introduced to the proven principles—a mix of common sense and counterintuitive concepts—that will put you in a better position to succeed, including: Recognizing the link between risk and reward Leveraging the wisdom of the market Minimizing losses due to investment fees Avoiding the risks of stock picking Selecting funds using relevant forward-

looking criteria Understanding how to realistically fund financial goals Investing tax-efficiently And much more . . . In addition to the information outlined throughout this book, you'll also receive a fee waiver for a one-year investment advisory account at FinancialEngines.com, so that you may apply what you've learned here to your own investment endeavors. Through simple explanations of powerful investment ideas and real-world examples that bring them to life, *The Intelligent Portfolio* reveals what you need to know when making personal investment decisions. With this book as your guide, you'll quickly discover how you can effectively implement the strategies that institutional investors have known for decades—helping you achieve a brighter financial future.