Introduction

This is not a get-rich-quick-scheme book. It is written for the everyone with a few thousand dollars or more who is putting away cash for retirement, the person who is adding monthly to his/her (the last politically correct reference you will find here) IRA or other tax-deferred plan, for those who have college accounts for the kids and especially for you retired folks.

This is a slow, steady, safe way to average 30% to 50% annually over any five-year period during a bull market with your money or to live more comfortably on the nest egg you have now. This advice will keep you out of every major bear market like the one that started in 2000.

Every professional trader knows that the first rule of investing is to protect your capital from loss. I am *not* going to train you to be a trader. Absolutely not! I will just show you how you can easily *double your money every three or four years* and keep from losing it when the brown stuff hits the blades. You will have to review your portfolio once a month for a few minutes, but that's easy.

This is the only honest book you will ever read on how to make money in mutual funds, stocks, futures or options. I trash all the brokerage houses, brokers, financial planners, mutual fund managers, economists, money managers, bankers and every analyst who ever drew a breath… and a lot more. And when I say trashed, I mean that for a change you will be reading the truth. You'll rarely hear my being interviewed on radio or TV talk shows because I step on every toe that has big money. I am a pariah to the industry. Only to the small investor, you, can I be a hero.

There are literally thousands of ways to invest your money from real estate to collectibles; millions of ways of trading whatever venue you choose. I haven't seen them all, but I have seen many and tried hundreds. This book distills the best of what I have seen and some of what I have learned about trading in the financial markets over the last 40 plus years. If I knew then what I know now and had applied it, I'd easily be a multimillionaire. Depending on your age when you do apply what you will learn here, you can become rich or at least live more comfortably on what you have. You will not lose money and that is the key to successful investing.

First, let's find out if this book is for you. Maybe you shouldn't buy it or maybe you ought to take it back before you get it dirty because I am going to smash some idols, strangle some pet strategies and be totally irreverent about Wall Street theories. And I'm going to 'throw-up' on many of your business friends–especially your broker. But you will make a lot of money and ultimately have the last laugh (all the way to the bank). This was not written for those guys on Wall Street, although at least 90% don't know what I am going to tell you. Even if they did, they definitely would not tell you. To them, making 10% to 15% per year on your money is excellent, fantastic, great.

I say, "Hooey!" (They won't let me print what I really want to say). You can do better and you definitely don't need them.

Conventional wisdom on Wall Street says making 12 to 15% is wonderful. Let me explain what conventional wisdom really is; it is conventional stupidity, it is tunnel vision. It means they don't know how to do better. You can average 30% to 40% annually over any five-year period of time during a bull market and you won't lose during a bear market.

Are you a *trader* or an *investor*? Do you have an *investment plan*? Is your trading *conservative* or *aggressive*? And what the heck does that mean anyway? These terms are all part of the smoke and mirrors created by the investment community—brokerage houses, investment bankers, banks, financial planners, etc. These terms are used to make the little guy (you) with a little money (that's under a million dollars to the pros) think you are really getting the best advice on where to invest your money. You are *not*.

Basically, we all want to have our money working for us in stocks, bonds, real estate, commodities, collectibles, etc. We want to get rich. Everybody loves money. In this book, I will show you many ways to get rich, but more than that, I will show you how to protect what you have already made. I will caution you *not* to do most of the dumb things the 'experts' want you to do. This book is primarily for plain folks who want to safely make money in the stock market. Almost all the advice you get from brokers, financial planners and bankers is bad—and I'll prove it to you as you read along.

We have been told a trader is a *shooter*–some wild speculator who is buying and selling every day. You are never going to do that and I sure agree that is *not* what you want to do. And it is not what I want you to do. But, did it ever occur to you that an investor is just a long-term speculator? Yes, you *are* a speculator — even you nice little old ladies with the three-wheel bicycles and you old guys with the walkers. I bet you thought an "investor" was one of those conservative people who knows all about P/E ratios, book value, insider trading, etc., etc.... who wears a suit and tie every day, and studies his portfolio with the Wall Street Journal at his side. You know, a kind of aloof *know-it-all!* However, it might just be some lady who looks at the investment page in the paper occasionally (like my mother-in-law) to see how her stocks and mutual funds are doing. No, an "investor" is no different from a *shooter*–only the time frame is different. Your broker wants you to think you are one of those "long term" investors because when the market starts down he can say, "you are in for the long haul" while you watch your account get smaller and smaller every day. If you want to have any money at the end of the "long haul", you'd better pay attention to what I have to say. Don't think otherwise or you are just kidding yourself.

Anyway, you want to make money and I want to give you some honest information that no broker, banker, brokerage firm or investment adviser will give you because it will make him look bad and he won't make any commission. Say, maybe *that's why they won't tell you*. He will tell you he only believes in "conservative investments". That is an oxymoron. *There is no such thing as a conservative investment.* That's kind of like an "honest politician", "military intelligence" or "corporate ethics". Remember that blue chip stock– Pan American Airways? The 'buy-and-hold' guys are still holding it in that dark place.

Before you hire a financial adviser, insist he read this book. If you already have a financial adviser, insist he read the book or you will take your business elsewhere. It will be interesting to hear his criticisms and excuses. Let me know what he says. Just a little common sense will show he is either lying or stupid and you don't want him if he is either. If he agrees, please hang on to him — you have a jewel. Now make him perform! The only reason you might want to pay him is because you can't "pull the trigger" when you get a signal. He will do it for you automatically. He will be worth his fee. That will be his only function. No advice, no recommendations, nothing. And have him reduce his fee since you don't want his "expertise"

When your broker tells you he is *conservative*, it really means *he* is willing to settle for less return on *your* money. What I am going to show is conservative because you will be buying mutual funds that go up during a bull market and you won't be in the market when it's going down. *Safety* and *performance* are my two key watchwords.

Basically, I am talking about 'Market Timing' versus 'Buy-and-Hold'. Prior to 2000 we haven't had a major break in the market for many years. The 1987 crash lost about 33% and even that one got you "even" in about 2 years. The recent "correction" in the latter half of 1998 took the market down 20% and it came back up to "even" in just a few months. With the method I will show you in the following pages you would have been out of the market from October of 2000. You could have slept like a baby while all your friends were pacing the floor all night long.

Because we had such a long and sustained rise from 1982 to 2000, the 'Buy-and-Hold' strategy *seemed* to be working. Just shut your eyes. My broker says, "the market always comes back", but it may take a lifetime. Can you wait that long? Brokers are taught not to sell, especially near the top. And they definitely don't want you to have cash in your account; you might take it out. There is too much historical evidence that proves Buy-and-Hold does <u>*not*</u> work. Market timing is a must if you not only wish to make money, but wish to preserve your capital through this next downturn. This especially applies to you retired folks.

Since the turn of the century — almost 100 years — there have been about 30 "corrections" or bear markets averaging *more* than 32% each. Nine of these averaged almost 50%. Do you want to buy-and-hold through this one? The *Kiplinger Personal Finance Magazine* in 1997 found that from 1972 to 1997, market timing outperformed and avoided the worst market crashes of 1973-74, 1987 and 1990.

Even the Federal Reserve Board printed an article in 1997 under the title, "*Earnings Forecasts and the Predictability of Stock Returns; Evidence from Trading the S&P500"* in which they concluded, "the rule produces superior returns, both relative to those earned under buying and holding the S&P and the relative market timing implementations". That's Fedspeak for market timing outperforms Buy-and-Hold.

The Buy-and-Hold crowd believes there is safety in utility stocks. Your broker probably also believes this great myth. From the crash high in October 1929 it took until 1942 for the utility index to reach the old high–13 years. During the break in 1973-74 the utility index sank to 60% below the 1929 highs and it wasn't until the late 1980s that the index made a new high. Do you still want to buy and hold? I don't. Never keep your money in a losing position. There are other places where you can be making a good return or at least keep from losing while the market tanks. I'll show you how.

If you received a 15% return compounded for 10 years on $10,000 you would have over $40,000. But suppose you ran into a 50% decline? Your money would drop to $20,000. If you had been in the market from 2000 to 2003 you know what I mean. It hurts!

A Buy-and-Hold strategist is guaranteed to lose in every one of these declines. Believe me, you won't have to wait 10 years for the next one. (Written in 1999 during the screaming bull.)

Successful investing does not mean catching the occasional, short term, hot stock that runs from 2 to 102. *Smart investing is the reduction of risk while focusing on steady long-term profits.*

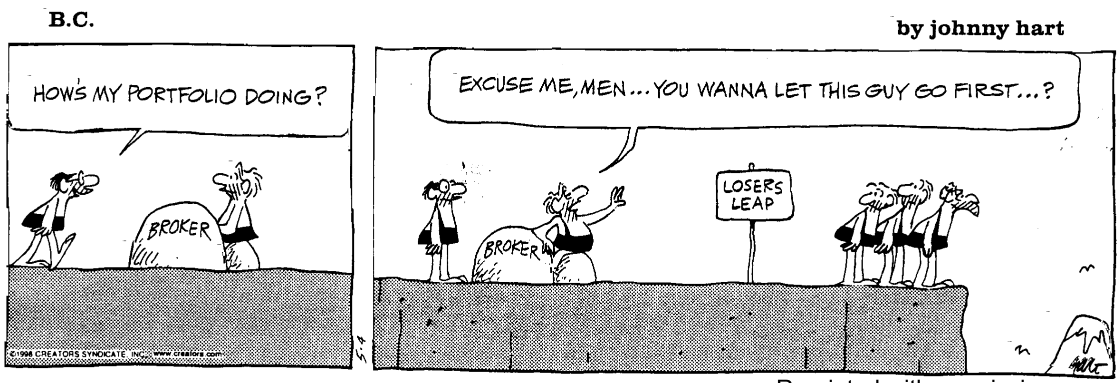
The lies that Wall Street has been preaching for so long have become conventional wisdom. They will lead you into the desert–and leave you there. These are their ***Ten Commandments*** and I guarantee they will make you broke.

1. *Do Research*
2. *Buy and Hold*
3. *Dollar Cost Average*
4. *Diversify*
5. *Buy a good stock and put it away*
6. *You can't afford to be out of the market*
7. *Never try to time the market*
8. *Rearrange your portfolio with age*
9. *Your broker will watch your account*
10. *The market always comes back*

All of these I will explain in simple detail in the various chapters. They are all lies, but I'll bet your broker believes them. Markets are orderly. Anyone who believes the market is chaotic is using aboriginal thinking. It is a linear cycle that keeps repeating itself over and over again. The chaotic theory of the market does not see the linkage of the psychology of people and time. Everything in this continuum from the smallest subatomic particle to the galaxies has an orderly pattern. It is up to you to understand it. Once you see it it then becomes predictable and you can use it as a tool.

Any time you put your money into a situation where you are not in complete control, you are speculating; you must not allow anyone to make decisions for you.

I will show you how to step carefully so you won't go over the cliff.



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You don't want to get "even". You want to get rich.

You can fool some of the people all of the time and all of the people some of the time, but you can't fool all of the people all of the time. However, the investment industry has come as close to the latter as any group I know of. It is about time you got un-fooled.

Read on.