

INDEX

- Active wealth creation, 12–13
- Actively managed mutual funds, 140–143
- Advisorkhoj.com, 105
- Age, 100–101
- Age-based asset allocation, 101–102
- Allocation glide path, 107
- Ally Invest, 47
- Alpha, 146–147
- Alternative investments, 92–95
 - role in portfolio, 96–97
- Amazon.com (AMZN), 42
- American Association of Individual Investors, 57
- American Association of Retired Persons website, 24
- American Funds, 169
- Amortizing loans, 62
- Apple (AAPL), 42
- Asset allocation (*see also* Portfolio), 10, 90–92
 - best asset allocation strategy, 110–112
 - fund, 107–108
 - guiding principles for “typical” investors, 108–110
 - influencing factors, 97–101
 - online asset allocation tools, 105–106
 - relationship with risk and diversification, 113
 - strategies, 101–105
- Asset class, 90–91, 144
 - of investors’ for ETFs, 153–155
- Asset(s)
 - asset-backed securities, 80–81
 - bubble, 120
 - financial, 18–19
 - investment opportunities, 92–95
- Assets under management (AUM), 133, 140
- “Average” investor, 102
- Back-end fees, 132
- Back-end load, 132

- Backdoor Roth IRA
 - strategy, 181
- Balanced funds, 137
- Bankrate.com, 106
- Barbell strategy, 82–83
- Beta, 145
- Betterment, 47
- Bid–ask spread, 152
- “Big three” plans, 172
- Black Monday*, 19
- Blockbuster, 54
- Bondholders, 62, 68
- Bonds, 59–62, 101
 - asset-backed securities, 80–81
 - callable bonds, 77–78
 - changes in interest rates
 - affecting bond prices, 71
 - convertible bonds, 78–79
 - credit ratings, 68–70
 - defaults, 76–77
 - green bonds, 79
 - funds, 136, 144, 145
 - investing in, 71–72
 - investing in portfolio, 81–82
 - investing strategies, 82–83
 - investment sites, 85–86
 - investment’s return measurement, 72–73
 - investors in, 64–65
 - investors’ mistakes in investing in, 84–85
 - issuers, 63–64
 - issues of companies, 83–84
 - loans, *vs.*, 62–63
 - market, 59
 - quotes, 73–74
 - risk level, 64
 - risks associated with
 - bond investing, 65–68
 - tax liabilities of bond investments, 75–76
 - TIPS, 79–80
 - trade, 74
 - treasury yield curve, 70–71
- Book-to-market ratio (*B/M* ratio), 139
- Borrower, 60, 62–64, 70
- Borrowing money, 51
- Brokerage account, 48–49
- Bullet, 62
- “Buy cheap and sell dear” strategy, 41
- Buy-and-hold strategy, 44–46, 82
- Buying stock on margin, 49–50
- CalcXML.com, 106
- Call price, 77
- Call protection, 77–78
- Callable bonds, 68, 77–78
- Capital appreciation, 34
- Capital gains, 16
- Capital gains tax
 - long-term capital, 17
 - short-term capital, 16

- Cash account, 48–49
- Cash and cash equivalents, 92, 97
- Cash dividend, 35
- Casinos, 29–30
- Certificates of deposit (CDs), 92, 98, 101
- Charles Schwab Corp., 48
- Checking accounts, 92
- Circuit City, 170
- Climate bonds (*see* Green bonds)
- Closed-end mutual funds (CEFs), 126–129
- Collateral, 62, 80
- Combined time-threshold approach, 121
- Commission, 47
 - costs, 152
- Compounding, 11
- Consumer Price Index (CPI), 13, 66
- Contribution plans, 18
- Convenience, 130, 150
- Convertible bonds, 68, 78–79
- Corporate bond, 98
 - funds, 136
- Corporate borrowers, 70
- Costs, 131–133
- Coupon, 61
 - payment, 61
 - tax treatment, 75
- Credit ratings, 68–70
- Credit risk, 65–66, 136
- Credit trade, 83
- Current yield, 72
- Day trader, 31
- Default investment, 107
- Defined benefit retirement plans, 161
- Defined contribution retirement plans, 160
- Direct stock purchase plan, 48
- Discount bond, 74
- Discount broker, 47
- Distressed debt investors, 76
 - strategy, 83
- Diversification, 112–114, 125, 130, 151
 - disadvantages, 117–118
 - mistakes, 114–117
 - relationship with risk and asset allocation, 113
- Dividend reinvestment plan (DRIP), 35
- Dividends, 35
- Dodd-Frank, 81
- Dodd-Frank Wall Street Reform and Consumer Protection Act (*see* Dodd-Frank)
- Double dip, 173
- “Double limit catch-up” provision, 173
- Downside risk, 56
- Downward sloping, 70
- Dreamers, 1–2, 13
- Due diligence, 95
- Dynamic asset allocation (DAA), 104, 112

- E-Trade Financial Corp, 48
- Earnings, 35–36, 41, 99, 183
 - investment, 11
 - saving and spending, 6–7
- Embedded option, 77
- Emotions, 54–55
- Employee Retirement Income Security Act (ERISA), 166
- Energy Select Sector SPDR Fund (XLE), 151
- Enron, 170
- Environmental, social, and governance (ESG), 37, 44, 144
- Equity, 10, 49
- Equity securities, 32–33
- Event approach, 121
- Ex-dividend date, 35
- Excessive cash holdings, 134
- Exchange-traded funds (ETFs) (*see also* Mutual funds), 17, 27–28, 60, 65, 72, 94, 126, 149–150
 - advantages, 150–152
 - disadvantages
 - associated with investing, 152–153
 - investors' using asset classes and strategies, 153–155
 - online resources, 157
- Expected returns, 94
- Expense ratio, 133
- Expenses in retirement, 21–22
- ExxonMobil (XOM), 42
- Facebook, 54
- Federal employees, TSP for, 173–174
- Federal Home Loan Mortgage Corporation (Freddie Mac), 80
- Federal National Mortgage Association (Fannie Mae), 80
- Fees, 72
 - back-end, 132
 - management, 133
 - marketing, 132
 - minimum investment and, 95
 - 12b-1 fee, 132
- Fidelity Contrafund, 128
- Fidelity Growth Strategies, 147, 148
- Fidelity Investments, 107, 108, 140, 169, 175
- Financial
 - advisor, 14–15
 - assets, 18–19
 - capital, 18–19
 - gambling, 32
 - goals, 97
 - leverage, 40
 - plan, 15–16
- Firm risks, 130
- Five-star mutual funds, 148

- 50% matching
 - contribution, 162
- Fixed income, 61
- Flat yield curve, 70
- FOCUS, 16
- 401(k) plan, 7, 18, 81,
 - 117, 159, 170, 173,
 - 181, 183, 185
 - for company employees,
 - 168–169
 - Roth 401(k) plan,
 - 177–178
- 403(b) plan, 18, 81, 159,
 - 171–173, 183
 - Roth 403(b) plan,
 - 177–178
- 457 plan, 159, 172–174
- Foreign currency, 68
- Free money, 5, 162
- Front-end sales load, 131
- Full-service broker, 47
- Fund
 - attributes, 129
 - of funds, 107
- Fundamental analysis,
 - 36–38
- Gambling, 29–31
- Global/international funds,
 - 138
- Going public, 33
- Governments, 171–172
 - 403(b) plan for
 - bond funds, 136
- Green bonds, 79
- Growth at a reasonable price (GARP), 42
- Growth investing, 41–42
- Herding, 142
- High tax bracket, 76
- High-yield stock, 40
- House, 30
- Human capital, 18–19
- Humped yield curve, 71
- Hybrid fund, 133
- Income, 7–9
 - income-producing
 - investments, 98
 - investing, 40–41
 - taxes on earned income
 - and investment income, 16
- Indenture, 77
- Index fund (*see* Passively managed fund)
- Individual retirement account (IRA),
 - 7, 18, 24, 166,
 - 174–177
 - converting into Roth IRA, 179–181
 - rollover, 185
 - Roth IRA, 177–178
- Individuals, 65
- Inflation, 66–67
 - affecting wealth
 - accumulation, 13–14
 - risk, 66
- Initial public offering (IPO), 33, 47
- Institutional investors, 64
- Insured asset allocation,
 - 105
- Interest payments, 7, 65,
 - 72, 75

- Interest rate risk, 66, 136
- International Index Fund, 140
- Intrinsic value, 36
- Inverted yield curve, 70–71
- Invesco QQQ Trust, 150–151
- Investing, 29–31
 - in bonds, 71–72
 - GARP, 42
 - growth, 41–42
 - in high-quality bonds, 94
 - income, 40–41
 - momentum, 43
 - in mutual funds, 149
 - in portfolio of bonds, 81–82
 - risks associated with
 - bond, 65–68
 - screen-based, 44
 - size-based, 42–43
 - in stocks, 34–35
 - strategies in bonds, 82–83
 - value, 41
- Investing.com, 85
- Investment (*see also* Wealth), 6
 - horizon, 73
 - investment-grade
 - corporate bonds, 98
 - overlap, 116
 - return measurement of
 - bonds, 72–73
 - returns, 11–12, 21, 50
 - sites, 56–57
 - strategies of mutual funds, 138–139
 - style, 144
 - traditional and
 - alternative, 92–95
- Investment Company Institute 2019 Fact Book, 131
- Investopedia, 56, 85
- Investors, 33–34
 - using asset classes and strategies for ETFs, 153–155
 - in bonds, 64–65
 - companies distributing profits to, 35–36
 - using margin accounts, 49–51
 - mistakes in investing in
 - bonds, 84–85
 - mistakes in investing in
 - stocks, 53–56
 - novice investors
 - engaging in short selling, 51–52
- iShares Latin America 40 ETF (ILF), 151
- iShares MSCI Switzerland ETF (EWL), 151
- iShares Russel 2000 EFT (IWM), 151
- Issuer (*see* Borrower)
- Laddered strategy, 82
- Large cap funds, 138
- Leverage, 49s
- Life cycle fund, 107, 137
- Limit order, 52
- Limit taxes, 6
- Lipper Leader, 149

- Lipper ratings, 148–149
- Liquidity, 41–42, 67, 150–151
 - risk, 67
- Loads, 131–132
 - bonds vs., 62–63
- Long position, 51
- Long-term capital gains tax, 17
- Long-term health insurance, 22
- Long-term investment plan, 55–56
- Longevity risk, 9
- Low costs, 150
- Lower tax bracket, 76

- Maintenance margin, 51
- Management fee, 133
- Margin, 49
 - account, 49
 - call, 50
 - requirement, 49
 - of safety, 41
- Market, 52
 - capitalization, 138
 - order, 52
 - timing, 53
- Marketing fee, 132
- Mediare.gov website, 24
- Merrill Edge, 48
- Micro cap funds, 138
- Mid-cap funds, 138
- Mid-cap stocks, 43
- Military personnel, TSP for, 173–174
- Millionaire, 2–3
 - retirement with million dollars, 3–4
 - tax, 3
 - tips to becoming, 5–6
- Minimum investment and fees, 95
- Modified adjusted gross income (MAGI), 175
- Momentum investing, 43
- Money market, 136
 - account, 98
 - deposit accounts, 92
 - funds, 92
- Money.cnn.com, 106
- Moneypaper, 57
- Morningstar ratings, 148
- Motley Fool, 23–24, 56, 85
- Multiple, 40–41
- Municipal (muni) bonds, 63
- Municipal bonds, 17, 76
 - funds, 136–137
- Municipal borrowers, 70
- Munis, 64
- Mutual funds (*see also* Exchange-traded funds (ETFs)), 17, 65, 72, 125–129
 - actively managed, 140–142
 - advantages of owning, 129–131
 - categories, 135–138
 - characteristics, 143–145
 - costs, 131–133
 - disadvantages, 133–135

- investing in, 149
 - investment strategies, 138–139
 - online resources, 157
 - performance evaluation, 145–149
- MySpace, 54
- NASDAQ 100 Index, 151
- National Association of Securities Dealers Automated Quotations (Nasdaq), 47
- National Mortgage Association (Ginnie Mae), 80
- Natural disasters, 19
- NerdWallet, 24
- Net asset value (NAV), 127, 149
- Netflix, 54
- New York Stock Exchange (NYSE), 47
- No-load fund, 132
- Nonprofit firms, 171–172, 403(b) plan for employees of
- Normal yield curve, 70
- Novice investors, 51–52, 54, 68, 96
- NYSE American, 47
- “One-size-fits-all” solution, 108
- Open-end mutual funds (OEFs), 126–128
- Operating leverage, 40
- Orders, 52–53
- Over-diversification, 115–116
- Over-the-counter, 74
- Owning stocks, 27–28
- Passive wealth creation, 12–13
- Passively managed fund, 133, 139–140
- “Pay yourself first” rule, 7
- Paying for advertising and marketing, 132
- Payless Shoes, 170
- Penalties for early withdrawal from retirement plans, 182–183
- Penny stock, 32
- Pension, 161
- Performance evaluation, 143
- Personal.Vanguard.com, 106
- Pooled investment vehicles (PIVs), 126
- Portfolio (*see also* Asset allocation), 90
- diversification, 112–114
 - drift, 119
 - investing in portfolio of bonds, 81–82
 - theory, 115
 - traditional and alternative investments role, 96–97
- Portfolio rebalancing, 118–120

- mistakes need avoid in, 122–123
- strategies for, 120–121
- ways for, 121–122
- Premium bond, 74
- Price risk (*see* Interest rate risk)
- Price-to-book ratio (*P/B* ratio), 41
- Price-to-earnings ratio (*P/E* ratio), 41–43, 139
- Primary dealers, 72
- Principal, 61
- Professional management, 131, 134–135
- Progressive tax system, 16
- Proliferation of ETFs, 153
- Prospectus, 127
- Public finance, 64

- Qualified plan, 164
- Quantitative analysis, 39

- Radio Shack, 170
- Real return, 14
- RealDealRetirement.com, 106
- Rebalancing, 117, 118–120
- Regulation, 95
- Reinvestment risk, 67–68
- Retirement
 - accounts, 18
 - estimating spending needs in, 22–23
 - expenses in, 21–22
 - factors affecting, 4
 - income sources, 21
 - with million dollars, 3–4
- Retirement Fund 2040, 107
- Retirement plans, 159–160
 - in building wealth, 161–163
 - “catch-up” options for making larger contributions, 183–184
 - changes in plan when changing employers, 184–185
 - characteristics, 167
 - company’s stock investment as part of, 170–171
 - defined benefit, 161
 - defined contribution, 160
 - 401(k) plan for company employees, 168–169
 - penalties for early withdrawal from, 182–183
 - after retirement, 185–186
 - tax advantages for investments, 163–168
- Return needs, 99
- Reverse mortgage, 21
- Risk

- associated with bond investing, 65–68
- creep, 119
- relationship with
 - diversification and asset allocation, 113
- and return, 94–95
- risk-adjusted return, 38
- risk-adjusting
 - performance methods, 145
- risk–return trade-off, 145
- tolerance, 15, 99–100
- Robo-advisor, 47
- “Robotically” rebalance, 121
- Rookie investors, 53
- Roth 401(k) plan, 177–178
- Roth 403(b) plan, 177–178
- Roth conversion, 24
- Roth IRA, 177–179, 183
 - contribution limits, 178
 - IRA converting into, 179–181
- Roth TSP, 177–178
- Russell Mid-Cap Growth Index, 147–148
- S&P 500 Index, 140, 145, 148
- Saver-investors, 1, 13
- Saving, 29
 - accounts, 92, 98, 101
 - earnings, 6–7
- Savings incentive match plan for employees (SIMPLE), 166
- Savvy investing, 55
- Savvy investors, 2–3, 28, 32, 59, 65, 76, 83, 90, 162
- School districts, 171–172, 403(b) plan for
- Schwab Emerging Markets Equity ETF (SCHE), 152
- Screen-based investing, 44
- Sears, 65
- Securities and Exchange Commission (SEC), 32, 127
- Securities Industry and Financial Markets Association website, 85
- Seeking Alpha, 57, 85
- Segment exposures, 151
- Sentiment, 41
- SEP IRA, 181
- Share repurchases, 35–36
- Sharpe ratio, 146
- Short selling, 43, 51–52
- Short-term capital gains tax, 16
- SIMPLE IRA, 181–182, 184
- Simplified employee pension plan (SEP plan), 166, 168, 181–182
- “Sin stocks”, 44

- Size-based investing, 42–43
- Small cap funds, 138
- Small-cap stocks, 43
- SmartAsset.com, 106
- Social Security
 - Administration, 24
 - benefits, 21
 - income, 164
 - payments, 185
- Socially responsible
 - investment (SRI), 44
- Sovereign
 - bonds, 64
 - borrowers, 70
- SPDR S&P 500, 150
- SPDR S&P 500 ETF, 150
- Specialty funds, 138
- Speculating, 32
- Spending earnings, 6–7
- State taxes, 18
- Stock investing, 27
- Stock market
 - companies distributing profits to investors, 35–36
 - equity securities, 32–33
 - gambling, 29–31
 - investing, 29–31
 - investment sites, 56–57
 - pros and cons of
 - investing in stocks, 34–35
 - saving, 29
 - speculating, 32
 - trading, 31–32
- Stockholders, 33
- Stocks, 99
 - brokerage account, 48–49
 - buying and selling, 47–48
 - fundamental analysis, 36–38
 - investment strategies, 39–44
 - investor’s mistakes in
 - investing in, 53–56
 - mutual funds, 137
 - quantitative analysis, 39
 - risk level of, 46
 - technical analysis, 38–39
- Stop order, 52–53
- Stop price, 52
- Strategic asset allocation (SAA), 102–103, 112
- Strategies, 129–130, 144–145
 - of investors’ for ETFs, 153–155
- Street vendors, 89
- Street.com, 57
- Systematic risk, 145
- T. Rowe Price, 107, 169
- Tactical asset allocation (TAA), 103–104, 112
- Target 2050, 107
- Target retirement year funds, 137, 169
- Target-date funds (TDFs), 107–108, 112, 121, 169

- Tax advantages for
 - retirement plan investments, 163–168
- Tax Cuts and Jobs Act of 2017, 180
- Tax liabilities, 84
 - of bond investments, 75–76
- Tax(es), 134
 - avoiding, reducing, or deferring, 17–18
 - deductible, 49
 - on earned income and investment income, 16
 - limit, 6
 - state, 18
 - tax-advantaged
 - accounts, 18
 - tax-deferred basis, 164
 - treatment for bonds, 76
- TD Ameritrade Holding Corp, 47–48
- Technical analysis, 38–39
- Threshold approach, 120
- Thrift savings plan (TSP), 173–174
 - Roth TSP, 177–178
- Time approach, 120
- Time horizon, 97
- Total Market Index Fund, 140
- Total World Bond ETF (BNDW), 151
- Toys “R” Us, 65, 170
- Tracking error, 153
- Trade, bond, 74
- Trading, 31–32
 - costs, 130, 152
- Traditional investments, 92–95
 - role in portfolio, 96–97
- Traditional IRA, 174, 178–179
 - tax deduction rules, 176
- Tranche, 80
- Treasuries, 64, 98
 - bills, 92, 146
 - bonds, 64, 74–75
 - yield curve, 70–71
- Treasury inflation-protected securities (TIPS), 79–80
- Treasury securities (*see* Treasuries)
- Treynor measure, 146
- “Triple tax free”
 - investments, 76
- TWA, 170
- 12b-1 fee, 132
- Uncertainty, 67
- Under-diversification, 114–115
- Uneven diversification, 117
- Unit investment trusts (UITs), 126, 129
- US Bureau of Labor Statistics (BLS), 8
- US Securities and Exchange Commission, 86
- US Treasury Department, 85–86
- US Treasury securities, 98

- Value investing, 41
- Value stocks, 41
- Vanguard, 169, 175
- Vanguard 500 Index mutual fund (VFINX), 140
- Vesting, 163
- Virtuosos, 1, 13
- Vultures, 76

- Wall Street Survivor, 57
- Wealth, 7–9
 - investment return to building, 11–12
 - passive and active wealth creation, 12–13
 - protection, 19–20
 - retirement plans in building, 161–163
 - tax, 3
 - time horizon for building, 10–11
 - transferring to future generations, 23–24
- Wealth accumulation, 9–10, 12
 - inflation affecting, 13–14
 - online resources for learning, 24
- Wealth Simple, 48
- Wealthy individuals, 65
- Well-balanced portfolio, 119–120
- Window dressing, 134

- Yield, 70
 - curve, 70
- Yield to maturity (YTM), 72–73