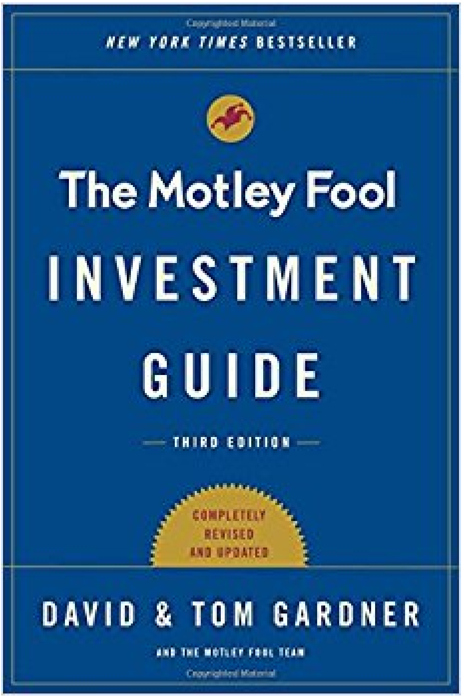
# The Motley Fool Investment Guide: Third Edition: How The Fools Beat Wall Street's Wise Men And How You Can Too



## Synopsis

A completely revised and updated edition of an investing classic to help readers make sense of investing today, full of â œsolid information and advice for individual investorsâ • (The Washington Post).Today, anyone can be an informed investor, and once you learn to tune out the hype and focus on meaningful factors, you can beat the Street. The Motley Fool Investment Guide, completely revised and updated with clear and witty explanations, deciphers all the current informationâ ”from evaluating individual stocks to creating a diverse investment portfolio. David and Tom Gardner have investing ideas for you, no matter how much time or money you have. This new edition of The Motley Fool Investment Guide is designed for todayâ ™s investor, sophisticate and novice alike, with the latest information on: â ”Finding high-growth stocks that will beat the market over the long term â ”Identifying volatile young companies that traditional valuation measures may miss â ”Using online sources to locate untapped wellsprings of vital information The Motley Fool rose to fame in the 1990s, based on its early recommendations of stocks such as .com, PayPal, eBay, and Starbucks. Now this revised edition is tailored to help investors tackle todayâ ™s market. â œIf youâ ™ve been looking for a basic book on investing in the stock market, this is it...The Gardners help empower the amateur investor with tools and strategies to beat the prosâ • (Chicago Tribune).

## Book Information

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## Customer Reviews

Tom Gardner learned from his father how to invest, and with his brother, David, started The Motley Fool in 1993 with a mission to educate, amuse, and enrich. Today, the Fool works to empower individual investors, reaching millions every month through its website, premium services, podcasts, radio show, newspaper column, and more. With David they have coauthored several books, including You Have More Than You Think, Rule Breakers, Rule Makers, and The Motley Fool Investment Guide for Teens.David Gardner learned from his father how to invest, and with his brother, Tom, started The Motley Fool in 1993 with a mission to educate, amuse, and enrich. Today, the Fool works to empower individual investors, reaching millions every month through its website, premium services, podcasts, radio show, newspaper column, and more. With Tom they have coauthored several books, including You Have More Than You Think, Rule Breakers, Rule Makers, and The Motley Fool Investment Guide for Teens.

The Motley Fool Investment Guide: Third Edition    2> 2> Take heedÂ .Â .Â . The wise may be instructed by a foolÂ .Â .Â . You know how by the advice and counsel and prediction of fools, many kings, princes, states, and commonwealths have been preserved, several battles gained, and divers doubts of a most perplexed intricacy resolved. â ”Rabelais The world has changed dramatically since The Motley Fool began its quest to help the world invest better in 1993. Todayâ ™s individual investor is armed with more information and greaterâ ”and cheaper!â ”access to the markets than ever before. Today, we can find a stock idea, research it online, and buy shares, all in a matter of mere momentsÂ .Â .Â . not that we think you should. But much remains the same. Investing in individual equities remains the truest path to lasting wealth. Many Wall Street brokers will argue to their last breath that you canâ ™t do it on your own. But we have clear evidenceâ ”now with a track record that spans more than twenty yearsâ ”that individual investors can beat the marketÂ .Â .Â . so long as they can overcome a few key behavioral barriers. And yes, weâ ™re still answering questions about the name we chose for our company. So letâ ™s start there. Fool? Thatâ ™s certainly not a very wise choice for a name when youâ ™re trying to ply your trade in the investment world. For decades, financial professionals have done their best to sell customers on their Wisdom. Whether itâ ™s the pinstripe suit, the knowing smile, or the self-satisfied advertising slogan (one company referred to itself as â œRock Solid, Market Wiseâ •), your typical broker, money manager, or financial planner has striven for an image of success, intelligence, experience, respectabilityâ ”in a word, Wisdom. And for decades, theyâ ™ve been making a fair amount of money off of fools. You know about fools. You might even have been one yourself at some point. Ever bought a stock on your dentistâ ™s recommendation with only a vague understanding of the companyâ ™s business model? Or have you plunked down your money for shares of an under-the-radar business because an email in your inbox breathlessly proclaimed it a â œcanâ ™t miss opportunityÂ .Â .Â . bound to double from $0.04 to $0.08 because of CANâ ™T-MISS catalysts?â • How very foolish of you. Or what about the time you snapped up shares of the International Dashed Hopes Load Fund just because your broker said it was the top performer in its category last year? Terribly, terribly foolish. And the financial establishment thanks you. Fortunately, you donâ ™t need to be the one who provides the funds for other peopleâ ™s dreams. Itâ ™s possibleâ ”now more than everâ ”to make informed, intelligent decisions that will help you make the most of your financial future. The Wall Street Wise would have you believe that â œA Fool and his money are soon partedâ •â ”we get that a lot. But in a world where more than eight out of every ten mutual fund managers lose to the market averages, year in and year out, how Wise should you aspire to be? In what other realms could such a paradox exist: that the paid professional can do no better thanâ ”in fact, cannot even do as well asâ ”dumb luck? And yet, in few other arenas are the trappings of the profession so enmeshed with the job itselfâ ”massive desks, expensive suits, gold cufflinks, precision watches. You be the judge of whether those accoutrements are designed to impress, intimidate, or overcompensate for their underperformance. And that got us to thinking, working out of a far-from-glamorous 12-by-8-foot backyard shed all those years ago, that we should just go ahead and call ourselves Fools, since our attitude and approach to life were so radically different from what was being passed off as Wisdom all around us. So we launched the very earliest iteration of The Motley Fool, taking the name from (an admittedly nondescript quotation from) Shakespeareâ ™s As You Like It: â œA fool, a fool! I met a fool iâ ™ the forest, a motley fool.â • Weâ ™d always loved Shakespeareâ ™s Fools: they amused as they instructed and were the only members of society who could tell the truth to the king or queen without having their heads lopped off. The Motley Fool began as a monthly newsletter distributed to a veryÂ .Â .Â . letâ ™s call it â œexclusiveâ • membership base. The printed newsletter soon transformed into a daily feature in the early days of America Online, when users paid by the minute they spent in our community. From those humble beginnings, the Fool has become one of the premier financial destinations online, with millions of investors reading our free analysis and advice, conversing in our community, participating in our stock-picking game, and performing their research in pursuit of winning stocks. The Fool now offers a suite of premium services catered to different investing styles, mutual funds that follow our Foolish tenets, and even a wealth-management business for those who love our style and advice but want to leave the heavy lifting to someone else. And The Motley Fool continues to seek new avenues to achieve its mission: to help the world investÂ .Â .Â . better. Our goal was and is very simple: beat the market and show others how to do itâ ”whether thatâ ™s a teenager deciding how to invest the proceeds from her summer lawn-mowing business or a savvy, seasoned investor who wants to profit from advanced options trades. In our decades pursuing this goal, weâ ™ve enabled millions of people to invest their own moneyâ ”without the help of Armani suitsâ ”and set a course to the financial future they seek. Our approach is best characterized by our general disinterest in, and mild disdain for, conventional wisdom. For example, the Wise will encourage you to invest your money in loaded mutual funds. (This â œdouble dipâ • enables them to charge you for that advice and then charge you on an annual basis for the fundsâ ™ management fees.) We, on the other hand, are telling you to buy stocks. They might tell you, â œAll right, take on that risk of stocks, but only buy the very safest ones.â • Or, alternatively, some brokers will try to sell you a collection of rinky-dink shares of penny stocks, dubious entities with an even more dubious likelihood of ever paying off. And many brokers, once youâ ™ve entrusted them with your savings, will quietly rotate you into and out of investment vehicles, maximizing their transaction feesÂ .Â .Â . but not your profits. We want you to buy shares of great companies, sprinkle some more volatile growth stocks in with an array of blue chips, and skip the penny stocks altogether. Then hold those stocks for the long haulâ ”think decades, not days. We espouse this approach for one simple reason: it works. Going back through history, youâ ™ll see that the stock market is pretty close to a sure thing, if you have the proper timeline (no day trading!) and temperament (no panicking!). From 1871 through 2012, holding periods of a single day were essentially a coin flipâ ”52 percent of those days earned positive returns. But investors with longer horizons fared much, much better. Eighty-eight percent of ten-year holding periods were positive, and (this is not a typo) 100 percent of twenty-year and thirty-year holding periods made money. In pretty much any comparison between stocks and other asset classes, stocks win. According to a Credit Suisse study of the twenty-eight markets it tracks, stocks outperformed bonds, which outperformed cash in twenty-seven of themÂ .Â .Â . by a wide margin. (Chinaâ ™s the only exception, and thatâ ™s because the country literally burned capitalistic symbols to the ground under Mao Zedong.) In short, stocks beat all other asset classes around the globe. In addition to our contraryâ ”though commonsenseâ ”approach of buying and holding stocks for the long haul, weâ ™re also encouraging you to consider a range of options trades, including shorting stocks, an attempt to profit off the decline of a stock rather than its rise. It is possible to use options â œFoolishly,â • allowing you to generate extra income or giving you the option to own a stock you like at an even better price. (Fear not, weâ ™ll discuss these concepts later in the book, in terms that are neither exceedingly complicated nor scary.) To us, if youâ ™re an advanced investor for whom the stock market is more than a passing fancy, we believe you should at least consider the potential advantages of maximizing your returns in a way that matches your timeline and your temperament. And the list of our outrageous beliefs goes on. It is capped by the very idea that you should manage your own money yourselfâ ”that you are the individual most personally invested in your financial success and, therefore, are the one best suited to make your money decisions. To many segments of the financial-services industry today, this idea remains about as logical as a financial-services company calling itself the Fool. In what follows, then, we hope to help you, and the world, invest better, giving you the confidence and the knowledge you need to succeed as an individual investor. But first, we should introduce ourselves. 3> Weâ ™re David and Tom Gardner, brothers and the founders of The Motley Fool. When we were young, we learned the core concept of investingÂ .Â .Â . thanks to chocolate pudding. On trips to the supermarket, our dad would tell us, â œSee that pudding? We own the company that makes it! Every time someone buys that pudding, itâ ™s good for our company.â • Our childhood family vacations often included visits with the chief financial officers of companies based in the cities we visited. We didnâ ™t always understand our dadâ ™s conversations, and they cost us a few afternoons that would otherwise have been spent in a hotel swimming pool, but those visits set us on a path to understanding that businesses are only as good as the people who work there. Years later, we began investing on our own, taking charge of the stock portfolios that our parents had started for us when we were born. For many casual investors, it takes a lifetime to overcome all the most common obstacles to investing in stocksâ ”not knowing how to get started; believing they donâ ™t have the time, money, and ability to do it themselves; a willingness to settle for the seemingly safeâ ”yet often underperformingâ ”comfort of mutual funds. Thanks to the foresight of our parents, we were fortunate enough to skip past that preamble of doubt. Our very first purchase was shares in a trucker called Leaseway Transportation (long since acquired by a larger company). Using a few elementary measures, we had culled the stock from the pages of Value Line, then a seven-inch-thick investment research monstrosity, a format that with the advent of online tools is about as common and timely today as ticker tape. We canâ ™t recall the exact rationale for the purchase, but one hot summer, we watched with awe as shares climbed from $26 to $42, where we took our profit. In retrospect, the process of discovering and researching that potential investment left something to be desiredâ ”hardly our most inspired workâ ”but it left us with a lesson that endures: If youâ ™re willing to take a risk, and youâ ™re open to continuous investigation and exploration into the world around you, you can enjoy tremendous financial success in the stock market without paying the Wall Street Wise for the privilege. Weâ ™ve learned a lot since then, and today we welcome millions of readers to Fool.com each month. Hundreds of thousands of individual investors have come to trust our advice enough to become members of our premium services. In this book, weâ ™re going to take much of the guidance we provide daily on our site and in our services and break it down to its primary components. Rather than pointing you to a couple of â œhot stocks,â • we want to give you the tools and tips to build, light, and grow that fire on your own. We want to help you help yourself make money. This was our intention back in 1993, when we launched The Motley Fool as an investment newsletter. Ye Olde Printed Foole, as we fondly referred to it, contained our stock picks, one monthly investment article, and a patchwork quilt of content in keeping with our motley interests. We mailed out unsolicited copies to a few thousand unsuspecting peopleâ ”we borrowed some friendsâ ™ and relativesâ ™ wedding invitation listsâ ”and wound up our first month with exactly thirty-eight subscribers. After publishing twelve monthly issues, we got a sinking sense that not everyone shared our passion for investing. But as fate would have it, the burgeoning internet was beginning to connect people in a way previously unimaginable. By sharing our ideas and answering peopleâ ™s financial questions, we could begin a conversation about stocks with people around the world. In 1994, we partnered with a small but fast-growing service called America Online (AOL to friends), providing us greater visibility and reach. With our dial-up connections and our desire to awaken the world to the benefits of investing in individual equities, we started typing. We offered our investment opinions and advice in response to requests from complete strangers, doing our best to provide them with as much information about their own holdings as they could handle. In so doing, we discovered some wonderful things (like how many people were willing to volunteer their own investment research for the benefit of many) and some bad things (donâ ™t get us started on the penny-stock scam artists, who still peddle their false and fraudulent get-rich-quick schemes to starry-eyed investors today). Within a few months, our little gabfest had grown into the most popular financial discussion on AOL, so we shuttered our monthly newsletter and took our show online. We were more interactive and timelier, and we didnâ ™t have to run to the neighborhood Kinkoâ ™s and lick dozens of stamps each month. Before long, and with the help of a feature in the New Yorker, word started to get around, and soon we were AOLâ ™s most frequented service in Personal Finance. People were buoyed by the idea that they could do it on their own. And it didnâ ™t hurt that our Fool Portfolio, a real-money portfolio invested exclusively in stocks, rose 11 percent in our first few months online, while the Standard & Poorâ ™s 500 (or the S&P 500, the index used most frequently to track money managers) stood flat. We closed our first year up 59 percent, almost 40 percentage points ahead of the market. Not so surprisingly, a lot of people were signing into our area to find out what we were up to. It turned out our strategy for finding and buying shares in great companies, with the help of our growing community, was working. The greater the success of our investments, the more Fools came to the forum. And that itself led to better performance. As the shampoo bottle says, â œLather, rinse, repeat.â • In the ensuing couple of decades, our business has changed in ways large and small as we continually strive to educate, amuse, and enrich individual investors like you.

We have offices around the world, tackling the specific challenges and opportunities that are present in different countries. From our home office in Alexandria, Virginia, we publish a slew of investing articles each day on our award-winning website, with our talented stable of writers and analysts sharing the news and their views on individual companies, the market as a whole, and advice for making the most of your money. Our groundbreaking CAPS stock-rating service provides insights into what more than fifty thousand Motley Fool community members (as well as more than one hundred professional Wall Street firms) think about the stocks that investors own or are investigating. (Those players whoâ ™ve earned the best track records carry the most weight in a stockâ ™s CAPS rating.) We now feature hundreds of vibrant discussion boards, where newbies, individual investors, and industry experts together can weigh in on the prospects of a particular company, where users offer their best advice on living below your means, and where retirees share their successful stories of leaving the workplace long before they hit the official retirement age (to name just a few of the most popular boards). Weâ ™ve written a shelf full of bestselling books, we produce several binge-worthy podcasts, we boast a weekly radio show that airs on dozens of stations around the country each week, weâ ™re a mainstay on voice-activated devices like  Echo and Google Assistant, and if you flip your television to the financial news channels, youâ ™re bound to see one of our analysts sharing his or her insights. And if youâ ™re the type who would prefer someone to do it all for you, well, weâ ™ve also built a wealth-management business to do just that. Coming full circle to the early days of the Fool, we also offer a stable of newsletter services for investors who are interested in paying an annual subscription membership for access to a team of analysts who put their heads together to come up with their best stock ideas. Some of them focus on a particular style of investing (dividends, growth, etc.); some of them feature real-money portfolios that members can follow along with at home; some dive into more advanced investing styles, like options (a strategy that weâ ™ll explore later in this book). But these arenâ ™t your fatherâ ™s newsletters. They offer far more than those early pages of printed text ever couldâ ”in fact, we prefer not to even call them â œnewslettersâ • anymore, and in a nod to technology, we no longer print and mail them to our members (though theyâ ™re easy to print at home, for those who prefer). In all of them, weâ ™re shooting to better meet the needs of the hundreds of thousands of members who have decided to put their trust in us, and weâ ™re constantly refining our strategies for finding stocks that beat the market. And itâ ™s worked out pretty well for the folks who have chosen over the years to follow our advice. We donâ ™t want to brag, so weâ ™ll just borrow a quote from a 2013 report from the venerable Mark Hulbert, who has tracked the advice of financial newsletters since 1980: â œConsider this: The three top spots in the Hulbert Financial Digestâ ™s five-year rankings of more than 200 investment-advisory services all buy and hold quality companies. Remarkably, all three are subscription newsletters published by the same advisory firm, The Motley Fool in Alexandria, Va.â •



The Motley Fool Investment Guide: Third Edition: How the Fools Beat Wall Street's Wise Men and How You Can Too The Motley Fool Investment Guide for Teens: 8 Steps to Having More Money Than Your Parents Ever Dreamed Of What Men Wonâ ™t Tell You: Womenâ ™s Guide to Understanding Men (How to read their minds, what men want, why men cheat, why men wonâ ™t commit, why men lose interest, how to avoid rejection from men) The Motley Fool: You Have More than You Think Two Old Fools on a Camel: From Spain to Bahrain and Back Again (Old Fools Large Print) (Volume 3) Two Old Fools on a Camel: From Spain to Bahrain and back again (Old Fools Trilogy) (Volume 3) Two Old Fools - OlÃ©! (Old Fools series Volume 2) You Can Do the Impossible, Too!: How One Man Overcame Touretteâ ™s Syndrome To Become an Acclaimed Professional Magician and How You, Too, Can Live Your Biggest, Boldest Life One Young Fool in South Africa (Old Fools Book 6) A Fool for Latvia, Germany and Spain (A Fool for Europe Book 3) Fool Proof Outline: A No-Nonsense System for Productive Brainstorming, Outlining, & Drafting Novels (Fool Proof Writer Book 1) Third Eye: Third Eye Activation Mastery, Easy And Simple Guide To Activating Your Third Eye Within 24 Hours (Third Eye Awakening, Pineal Gland Activation, Opening the Third Eye) Hypothyroid Diet Secrets: How I Beat My Hypothyroidism By Eating Smarter â “ Even When Nothing Else Had Workedâ |and How You Can, Too! How I Beat Macular Degeneration in the Early Stages and How You Can, Too! Too Fat, Too Slutty, Too Loud: The Rise and Reign of the Unruly Woman Bet You Can't! Science Impossibilities to Fool You Healing Wise (Wise Woman Herbal) Breast Cancer? Breast Health!: The Wise Woman Way (Wise Woman Herbal) Beat Procrastination: Proven Methods for Motivation, Productivity, and Getting Things Done!: No Psychological theory, just simple solution to help you beat procrastination and take your life back! The Smartest Investment Book You'll Ever Read: The Proven Way to Beat the "Pros" and Take Control of Your Financial Future