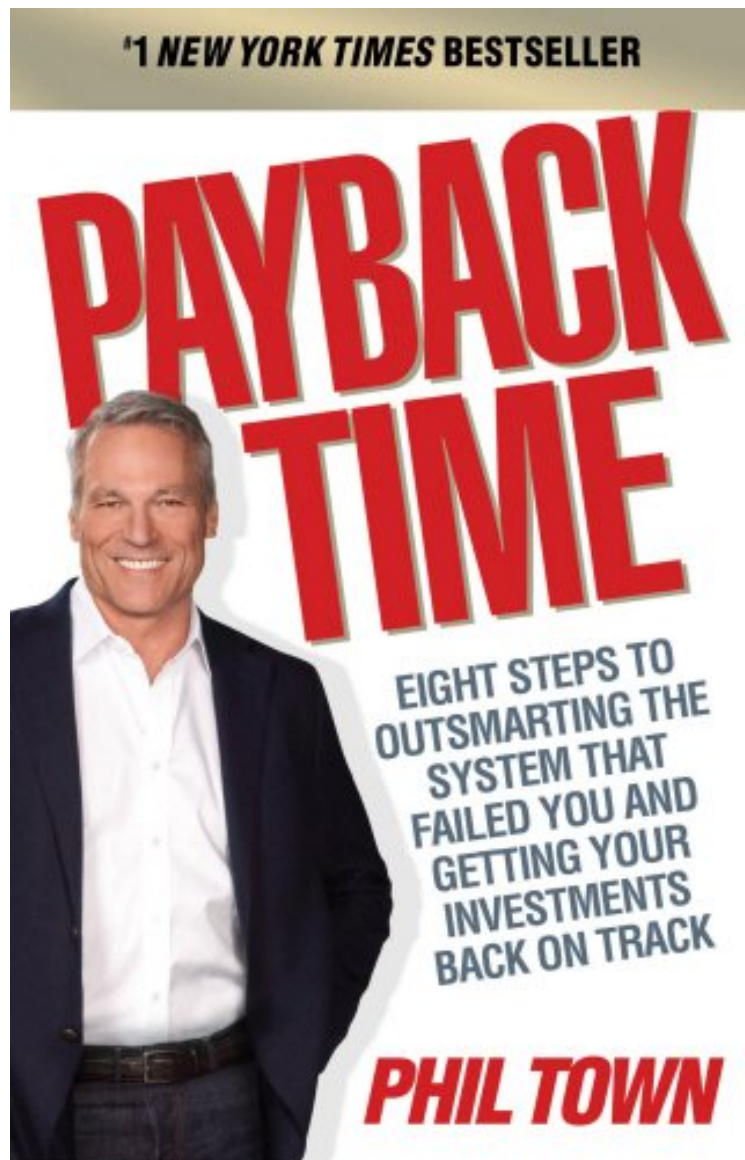


(Library ebook) Payback Time: Eight Steps to Outsmarting the System That Failed You and Getting Your Investments Back on Track

Payback Time: Eight Steps to Outsmarting the System That Failed You and Getting Your Investments Back on Track

Phil Town

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2 of 2 people found the following review helpful. A great investment tool By F J. A great investment tool. Make sure you go with a company you are passionate about that fits the criteria. If you go with their recommendations on their website, you may be waiting a long time for the returns. I've put EPAM on my watch list (predicted at 4000% return by them) and have not seen much movement on that stock over the past year.

6 of 6 people found the following review helpful. Good info By lodbjj I don't normally post reviews but wanted to add my thoughts about this book. I read Rule number #1 when it first came out and it got me interested in investing. I found I did not like trading and could never time the tools right. I was always getting in too late or out too fast. I started studying more on investing and found that I liked the approach that is more akin to payback time. I like to use the way Phil recommends to value a company to get an initial feel for the value and his calculators make this easy. He also makes very good points about buying a business and not a stock and that you should be interested in what you buy and understand it. Both Rule #1 and payback time are easy to read and you finish understanding how to begin to value a company (something I did not feel good about after reading my first few investment books. That being said Payback time does not offer a whole lot of information over Rule #1. I was hoping that Phil was going to provide a way to evaluate cash flow or another method of evaluation. Instead the addition of payback time is only how to grow estimated earnings to determine at what point you could buy the whole business. Phil also clarifies some of his information from Rule 1 but you could have found most of this information for free on his website. The idea of a Berky is simply having an account you have cash flowing into at regular intervals and having a plan to use this cash to invest. I do not feel like I wasted my money on this book because I did get some useful information and it was a good review. I think this is an excellent book for someone just starting out and would recommend this book over Rule #1. It does not cover the tools but I found them to be kind useless in today's market. I think they may have their place when the bear turns into a bull and may revisit them in the future. I think the biggest lesson that can be learned from the last few years is that Warren Buffett is on to something when he sits on a cash hoard for years and buys like crazy when the markets crash. Fear and greed are powerful things but knowing what something is worth gives you the knowledge and comfort zone to pull the trigger. Payback time will not make you a PHD in Finance but it will give you a better starting point than most other investment books out there. From there spend some time reading seeking alpha, the motley fool and other investing websites. Hope this helps.

0 of 0 people found the following review helpful. Excellent!! By rkutchjm Excellent!!! Brings the process of owning your own businesses via stocks down to Earth for anyone to comprehend. The second of two books that makes financing your future enjoyable. Thanks you Mr. Phil Town.

Don't get mad, get even Phil Town's first book, the #1 New York Times bestseller Rule #1, was a guide to stock trading for people who believe they lack the knowledge to trade. But because many people aren't ready to go from mutual funds directly into trading without understanding investing for the long term he created Payback Time. Too often, people see long-term investing as mutual fund contributing otherwise known as long-term hoping. But the sad truth is that mutual fund investors are, to a stunning degree, pinning their hopes on an institution that is hopeless. It turns out that only 4% of fund managers consistently beat the SP 500 index over the long term, which means that 96% of fund investors see a smaller return on their nest egg than a chimpanzee who simply buys stocks in the 500 biggest companies in America and watches what happens. But it's worse than that. The net effect of hitching your wagon to mutual funds is that over a lifetime they'll fritter away as much 60% of your nest egg in fees. Once you understand how funds engineer this, you'll rush to invest on your own. Payback Time's risk-free approach is called stockpiling and it's how billionaires get rich in bad markets. It's a set of rules for investing (not trading but investing) in the right businesses at the right time -- rules that will ensure you make the big money.

Finally, an investment book that's easy to understand and actually works in the real world. PAYBACK TIME will make a lot of people very, very rich! --T. Harv Eker, author of the New York Times #1 bestseller, SECRETS OF THE MILLIONAIRE MIND There's never been a better time than now to start over and finish rich! Recessions make millionaires and Phil Town's strategy for stockpiling wealth in the stock market is a fantastic vehicle for achieving that goal. You'll realize when you read this that it's still possible to recapture your dreams of a richer, better future. --David Bach, #1 New York Times bestselling author of START OVER, FINISH RICH and THE AUTOMATIC MILLIONAIRE Masterful in its insights...brilliant in its simplicity and practicality! With uncompromising clarity, Phil Town exposes the truth about how poorly mutual fund managers perform, then proceeds to teach a very precise methodology for finding, evaluating, and investing in valuable businesses. PAYBACK TIME is a must read for everyone who's ready to take complete control of their financial freedom, and wants to do so with confidence, safety, and sound investment principles. --Tony Martinez, Founding Partner, Wealth Without Risk, LLC Town knows how to play by the rules in the making big money game. Consider his book a gift to your financial library. --Robyn Spizman, New York Times bestselling author and founder of The Giftionary.com An incredible book that will teach you how to achieve financial independence faster than you ever thought possible. --Brian Tracy, President, Brian Tracy International "Town has nailed it PAYBACK TIME gives you the insight and mindset to maximize your investments. --Joe Sweeney, President of Corporate Financial Advisors and author of NETWORKING IS A CONTACT SPORT

About the Author PHIL TOWN has addressed millions of people, sharing the stage with such respected public figures as Bill Clinton, Colin Powell and Rudy Giuliani. He appears frequently on CNBC as an investing expert. Currently, he makes his home in Jackson Hole, Wyoming. Excerpt. Reprinted by permission. All rights reserved.

CHAPTER 1 HOW THE WEALTHY USE DOWN TO GO UP

"There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction." John F. Kennedy

The best investment strategy I know is so counterintuitive, so shockingly upside down, such a crazy way of thinking about investing that hardly anyone who uses it wants to even try to explain it. Its not at all hard to do, but it is hard to explain. It just sounds so . . . impossible. But smart investors do it all the time and, man, does it work! I mean it really works. Its an I can do whatever I want the rest of my life kind of works. It works so well, its the secret to the investing success of the best and richest investors in the world. Seriously. I know that sounds like hype, but honestly its impossible to overstate the effectiveness of this strategy. It really is the basis of the biggest fortunes in the world, including those of quite a number of Forbess Worlds Billionaires list. For example, #3 is Carlos Slim Helu, the Mexican telecom entrepreneur who is worth \$35 billion and is currently buying into cheap media, energy, and retail assets, including the New York Times, using this strategy. Lakshmi Mittal, #8, of India, created a \$19 billion fortune and now runs the worlds largest steel company, ArcelorMittal. He built ArcelorMittal using this strategy in Eastern Europe in the 1990s after the Berlin Wall came down. Number 15 is Bernard Arnault of France, who built a \$16 billion fortune by acquiring Christian Dior with this strategy. Number 16 on the Worlds Billionaires list is Li Ka-shing of China, who made \$16 billion acquiring energy, banking, and utility companies with this strategy. Charles Koch and David Koch are ranked #19 with \$14 billion each, which they got by using this strategy to build Koch Industries one of the largest, privately held corporations in the United States. Michael Otto of Germany is ranked #23 and is using this strategy to take advantage of weak markets in the United States to buy up shopping centers in America. Don Bren is #26. He used it to become the sole owner of the Irvine Company and bank \$12 billion. The Irvine Company is one of the largest construction companies in California and the developer of about a fifth of Orange County. The list of billionaires who used this strategy to become mega-wealthy goes on and on but wouldnt be complete without mentioning that the worlds second wealthiest man, Warren Buffett (worth \$37 billion), the worlds best investor, used this strategy of investing to build his immense fortune and to increase his ownership and compounded return in companies like American Express, Washington Post, GEICO, and Coca-Cola. This strategy is also the basis of thousands of little fortunes, including mine. In fact, as any of the billionaires I mentioned above would agree, its much easier to use the strategy if you are a small investor. Being a big investor is actually a huge disadvantage in using this strategy. Mr. Buffett once said, Anyone who says that size does not hurt investment performance is selling. The highest rates of return Ive ever achieved were in the 1950s. I killed the Dow. You ought to see the numbers. But I was investing peanuts then. Its a huge structural advantage not to have a lot of money.* I used this strategy to build my wealth by buying shares of bioscience, software, and other private companies. And soon, if you pay attention and are willing to do a bit of fun work, youll discover that this incredible strategy can be the basis of your fortune, too.

STOCKPILING

I call this amazing strategy stockpiling . . . as in stash, accumulate, and collect. It means exactly as it sounds stockpiling, as in piling up stocks. Not just any stock at any price, though. The essence of stockpiling is to buy stock in a business youd be excited to own all of, then hope the price goes down so you can stash, accumulate, and collect as much as you can afford at as low a price as possible. Sounds strange, I know. But again, all of the billionaires I listed above and many more on Forbess Worlds Billionaires list are stockpilers of businesses. (Note: This list might have changed by the time you read this but not the stories behind these guys wealth-building strategies.)

Buy a Business, Not a Stock

Buy a Business, Not a Stock was a chapter title in my first book. Its such a key way of thinking that I cant reiterate it enough: You must stop thinking that stock investing is any different from buying a business. When you buy a business youre buying shares of the business. If you buy some percentage of the total shares, you become a part owner. Buy all the shares and you own the whole business. There is no difference between that process and buying public stock in a business. As long as you treat owning shares of public stocks as different from owning a piece of a business, you will fail to understand and execute the stockpiling strategy. A typical stock investor is unhappy when the price of his stock goes down, because he has no understanding of the true value of the business that stock represents. But thats because typical stock investors are not investors at all. They dont understand stockpiling, so they inadvertently have become speculators and outright gamblers. The unfortunate truth is that the financial services industry has conned many millions of people into their game of stock speculation via mutual funds. Ill have a lot more on that in the next chapter. For now, lets just remember that for this book and for the rest of your investing career, you must think of stocks as shares of a business, and yourself as the owner of that business. So if you buy just ten shares of Coca-Cola, youre a part owner of Cokenot a stock investor in Coke. Got that? When you begin to think like this, youre joining some truly great investors like Buffett, and youre on the first step toward becoming a solid stockpiler of stocks, er, businesses. The basic ideas of investing, Buffett says, are to look at stocks as a business, use a markets fluctuations to your advantage, and seek a Margin of Safety. Thats what Ben Graham taught us. A hundred years from now, these will still be the cornerstones of investing. From the late 1990s until 2008, Warren Buffett bought very few public stocks. He mostly just sat on about \$45 billion of Berkshire Hathaways cash, waiting patiently for Mr. Market to become fearful enough about the future to bring the prices of

wonderful public businesses down to levels at which he was willing to buy. In May 2008 Mr. Buffett told his fans at the annual Berkshire conference that he hoped the stock market would drop 50 percent so he could finally put all his cash to work. Then the market crashed, and in October 2008 he invested \$20 billion in public companies. But heres the classic part of the story: As prices of the businesses Berkshire owned and still owns, as of this writing plummeted, and the Berkshire stock price dropped accordingly, Mr. Buffett was attacked, again, for being over the hill and out of touch. The proof? The prices of businesses he owns were going down. This is not the first time hes been accused of losing his touch. In the late 1960s he was sitting on a lot of Buffett Partnership cash. His unwillingness to chase high prices disturbed enough Buffett Partnership partners that Mr. Buffett dissolved the partnership, gave his partners back their money, and shifted his stockpiling strategy to Berkshire Hathaway, where he would no longer be required to deal with limited partners whining about his lack of investing activity. Of course, he turned Berkshire into the worlds most successful investment vehicle. Ten thousand dollars invested in Berkshire in 1969 is now worth \$40 million. Again in the late 1990s, as mutual funds racked up big gains by buying technology stocks, Mr. Buffett was accused of being behind the times. His ideas became more popular after the Nasdaq plunged 85 percent during the dot-com bust. The fact is, stockpiling is something people either get right away or never understand at all, no matter how much sense the strategy makes or how much money the people who practice it make. The Secret to Risk-Free Stockpiling Is Knowing Price Is Not Value Okay, theres obviously more to stockpiling than just buying a stock and hoping the price goes down. What Warren Buffett and a lot of other billionaires know is that the price of a stock doesnt always have a whole lot to do with how much that business is actually worth. To put it another way, you have to learn how to look beyond stock price and at a businesss value. The one and only secret to stockpiling is to make sure the value of the business is substantially greater than the price you are paying for it. I swear to you thats all there is to it. If you get this right, you cannot help but get rich. Most investors make the mistake of thinking the price they paid has some necessary connection to the value of the thing they bought. I dont know why stock market investors think that when its so manifestly and obviously not true in any other sort of market they buy in regularly. Surely they bought a used car sometime in their lives. They wouldnt confuse the price being asked for a used car with the value of that car, would they? Just because a guy is asking \$5,000 for his old Toyota doesnt mean its actually worth \$5,000. If yoursqu...