



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

Issue #97
December 16, 2022

Books and Stocks

Two of my favorite things to buy are (non-fiction) books and stocks. They are similar in many ways and also related.

Both (fiction) books and stocks involve stories. With both, the better the story is, the more of it that gets sold. While that may help you find good fictional books, you should actually avoid investing in stocks that have a good, popular story, because invariably, the story falls apart and/or the stock is overpriced because of the story.

Both books and stocks are an investment that can provide a positive return that is theoretically infinite. Reading is an investment in yourself, and that can never be taken away (except by dementia), unlike your financial assets. The return that books provide is in the form of knowledge, insight, understanding and wisdom.

The risks of reading books include obtaining information that is incorrect or outdated, spending too much time on a book compared to what you get out of it, sitting too long without moving, and spending too much money on a book (or on books in general; see the Hoover story below). Your risk with stocks is limited to the amount of money you invest, plus the time, money and energy you spent on research.

Both books and stocks have ratings and reviews from various services. Using those judiciously can help reduce your risk of loss. The human brain prefers simple ratings (e.g., a mutual fund rated five stars by Morningstar) because they save it time and energy and appear to provide certainty in a complex and uncertain world, but ratings systems are usually too simplistic and can be gamed by the seller.

To avoid getting scammed, use [FakeSpot](#) when buying a book on Amazon, and look for Verified Purchases when reading reviews. When shopping for stocks, look for a good Beneish M-score (which means that there's a low chance that management has manipulated reported earnings) and high insider ownership (so the interests of management are aligned with those of shareholders).

To minimize the risk that you spend too much time on a book, use this formula:

$$100 - \text{your age} = X$$

If you get to page X and the book isn't doing it for you, stop reading it and move on to another book. You don't have enough time to spend it reading mediocre books. As Thoreau wrote, "Read the best books first, or you may not have a chance to read them at all."

Both books and stocks can be either active or passive investments. Books are active investments unless you listen to the audio version. A perfect example of a passive stock investment is an index fund. I am an advocate of active investments because you retain autonomy and responsibility, and your brain remains engaged by the process (e.g., your brain has to wrestle with the words on a page, which makes it stronger).

Both books and stocks can be classified as fiction or non-fiction. "Fiction" stocks are those with bad Beneish M-scores, a popular narrative in the financial media, ballooning debt and deteriorating fundamentals, no dividends and low insider ownership. Like fiction books, fiction stocks provide temporary escapism but little else.

With both books and stocks, you want to be a contrarian and avoid what the masses are buying. As Thoreau observed, "There is but little virtue in the action of masses of men." For example, look at the current *New York Times* bestseller list for hardcover nonfiction:

Hardcover Nonfiction >

1



4 WEEKS ON THE LIST
THE LIGHT WE CARRY
by Michelle Obama
The former first lady shares personal stories and the tools she uses to deal with difficult situations.

2



18 WEEKS ON THE LIST
I'M GLAD MY MOM DIED
by Jennette McCurdy
The actress and filmmaker describes her eating disorders and difficult relationship with her mother.

3



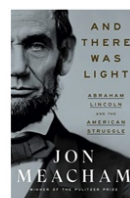
6 WEEKS ON THE LIST
FRIENDS, LOVERS, AND THE BIG TERRIBLE THING
by Matthew Perry
The actor, known for playing Chandler Bing on "Friends," shares stories from his childhood and his struggles with sobriety.

4



6 WEEKS ON THE LIST
SURRENDER
by Bono
The lead singer of the Irish rock band U2 offers details of his life, career and activism.

5



8 WEEKS ON THE LIST
AND THERE WAS LIGHT
by Jon Meacham
The Pulitzer Prize-winning biographer portrays the life of Abraham Lincoln.

The top book is some ghostwritten fluff piece by bitter professional vacationer Michelle Obama that was only published so that when Joe is put into a nursing home in 2024, her name will be at the top of voters' minds. The next three books are about entertainers and their personal problems. I loved Bono as a teen, but I'm sure his book is full of World Improver nonsense. The last book is yet another hagiography of the worst and most tyrannical president ever. And look at [the most popular stocks](#). Ugh! Nearly all hype and overpriced crap.

With both books and stocks, you want to be a value investor. You need to do your own research and go off the beaten path in search of undiscovered gems. You need to develop systems that can bring possible candidates (out of thousands of options) to your attention for additional research. For books, the automatic recommendations by [LibraryThing](#), [ThriftBooks](#) and Amazon Kindle are pretty good (once you've rated a number of books). For stocks, I've told you about the massive spreadsheet (with conditional formatting and auto-populated data) I use to track over 2,000 stocks, and I'm constantly looking for new additions.

With both books and stocks, you want to be a patient buyer. For stocks, I set a lowball bid price using a limit order and then sit back and wait for it to fill one day when investor sentiment is low and a lot of investors want to sell and are in a hurry to do so. I provide liquidity, but for a premium.

For books, I add the book to my wish list on ThriftBooks (which has the best wish list I know of) and indicate which conditions I want and the maximum price I'm willing to pay. When a book that matches my criteria becomes available, my purchase of it isn't automatic like it is with a stock limit order, but I receive an email that lets me know that it's available. I can even see how many other people have that book in their wish list (which is like being able to see the depth of the order book for a stock). And when there's a sale (for stocks, a market crash), I back up the truck and buy fairly aggressively.

With both books and stocks, you can either buy them individually or in a collection (which for stocks would be a mutual fund or ETF). The per book/stock cost of a collection is usually lower, but then you end up owning a lot of books/stocks that you don't really want. It's a lot easier to hide a crappy book in a collection, or a crappy company in a stock index.

You don't want to own too many stocks (including via index funds, ETFs or mutual funds) or books, because the inferior ones take up space that could be left open for the good stuff. If you own too many books/stocks, it starts to become difficult to keep track of what you own and where it is. For example, there's a certain book that I want to read to my son, but now I can't find it.

You'll probably want to keep some books and stocks (e.g., Dividend Kings, which have increased their dividend every year for at least 50 years) for as long as you live. But you should periodically go through your library and portfolio looking for books and stocks that no longer need to be there.

You can also borrow both books and stocks. Borrowing a book from a library or a friend is

a low-cost way to check out a book or author if you think you won't want to own the book even if you like it. The disadvantage is you have to read it in a limited time and can't highlight or write in it. Investors can borrow stocks to sell them short, which exposes you to theoretically unlimited losses (in return for a capped maximum gain), so it's best to leave that to the pros.

Many books and stocks pay dividends. Book dividends are paid much less frequently than stock dividends and are in the form of (1) being able to re-read a book and still get something out of it, (2) being able to use it as a reference, and (3) being able to loan it out to a friend.

If you have a successful investment experience with one author or CEO/entrepreneur, you'll probably have another successful experience if you invest in their next book or venture. Some develop a cult following.

You can learn about both books and stocks in either book clubs or investment clubs. Your mileage with those will vary.

I mentioned above that books and stocks are related; here's how. The more (non-fiction) books you read, the more you will improve your knowledge, skills, wisdom and decision-making, and thus the more you will increase your earnings power and wealth. You can then use that money to buy more books, and you'll have more leisure time in which to read them. It's a virtuous upward spiral.

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Speaking of books and finances, I heard about a shocking story today. I received the following email from entrepreneur and business historian [Gary Hoover](#), whose book [The Lifetime Learner's Guide to Reading and Learning](#) I read and recommended to you. I think he's the most intellectually curious person I've ever come across. It obvious he's passionate about books (his personal library has over 70,000 of them), reading and learning.

Hello friends,

I'm sorry to have been so silent in recent weeks, but as you may know, my home and library burned to the ground on October 3. A terrible loss, beyond words. I had invested my life and money in that library. I was uninsured due to the high cost and difficulty of getting insurance on the old building.

Nevertheless, life goes on. Since the fire, I have recorded another History Channel program, to air in 2023, and gave a business history talk at the beautiful Flagler Museum in Palm Beach, Florida. Those of us at the Business History Center have plans to rebuild and continue our efforts to learn and share the lessons, good and bad, of the leaders and companies of the past. We should be up and running early next year. I also continue to teach and mentor entrepreneurs at every opportunity.

My main challenge right now is to find a new home. My property is going to sell for substantially less than I had hoped and initially been offered. I am very limited on funds and it is a challenge to find a home in Texas in the \$100,000 range. Nevertheless, I have found a nice one but am still short of the amount I need.

Many of you have already been extremely generous, contributing to [the GoFundMe campaign](#) that friends set up for me. I hate to beg, but do not have any other options. It would be great if I could raise another \$50,000 in the campaign. That would enable me to avert homelessness. Any amount, large or small, would be meaningful to me. [Just click here to donate to the GoFundMe account.](#)

Thank you again for all your support and kind words.

Gary Hoover
December 14, 2022

What? This guy, with all of his accomplishments and earning potential, is nearly homeless? My BS detector (which is finely tuned after decades observing politics and financial markets) immediately lit up, and I thought his email list must have been hacked by a scammer, especially after I didn't see anything about a fire on [his blog](#) or Wikipedia page. Then I found [this news story](#).

I remember reading about his library in his book, and thought, "Wow, he must have a very large and beautiful library in his home to house all of those books." But apparently, he kept them all (and lived in) an old, rundown building in downtown Flatonia, Texas. And they were uninsured because he couldn't get insurance on the old building. And he admitted that he smoked a cigarette outside, apparently that day.

What? He smokes? How could someone who's so knowledgeable and intellectually curious be willing to do that to their body and brain? I'll bet that smoking and reading books are strongly negatively correlated.

I'm all for having a large personal library (I have over 2,200 books), but I think 70,000 may be indicative of vanity and hoarding. I greatly enjoyed reading his book and really admire his passion, but damn. It's a reminder that intelligence, education and knowledge are not necessarily accompanied by common sense and wisdom.

Also, sometimes (probably more often than we know) things are not as they appear. For example, who knew that Bernie Madoff spent years running an enormous Ponzi scheme, or that Enron was a total fraud? What else is going on that we don't know about? I'll bet *lots*, especially over a century of government censorship and propaganda, society-wide groupthink, and non-reporting by a lazy and captured or collusive media.

News Items

[The Mother of All Economic Crises](#) Ron Paul and I agree that the next financial crisis will be the largest in human history.

[Complications of the Ukraine War](#) My favorite line: “Now, whenever people in power tell you something is a no-brainer, there's a good chance that it's a brainer.” Once you start reading a book about this (like I have), you begin to realize just how complex the whole situation really is.

What You Should Be Doing Now

So the Fed hiked interest rates by 50 basis points and said to expect more. Stock investors aren't taking the news well. A few Japanese and Indonesian stocks are beginning to look attractive, and I've started nibbling on a few.

[Newsletter Archive](#)

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I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please [email me](#).

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will provide an answer in a future issue.

Feel free to forward this to a friend. If you would like to subscribe (it's free!) or unsubscribe, [email me](#) with either “subscribe” or “unsubscribe” in the subject line.

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Investments carry risk, are not guaranteed, and do fluctuate in value, and you can lose your entire investment. Past performance is not indicative of future performance. You should not invest in something you don't understand, or put all of your eggs in one basket.

Before starting a new diet or exercise regimen, you should consult with a doctor, nutritionist, dietician, or personal trainer.

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