

Leading Financial Pros Swear These Top Notch Investing Books Will Make You A Better Investor

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3. *The Investment Answer* by Daniel C. Goldie and Gordon Murray



I've learned that investing is a lot like dieting. Mutual funds, hedge funds, money managers all claim to have the next best diet, the sure fire bet. But in reality and the historical research shows us, they just don't work net of their fees and expenses. Dimensional Fund Advisors (DFA) is different, their philosophy (if it were a diet) is "**eat less and exercise more.**" Dimensional focuses on the areas that are within our control — fees, taxes, diversification and discipline — and to ignore everything else.

It's an eye-opening book to any client, who feels like their not getting the services they think they should be getting. Like many young Registered Investment Advisers, I aimed to please all of my clients by trying to find them the next hidden gems.

When one my clients attended one of his Tiger 21 meetings to do a portfolio defense (of the hedge funds and other investment products that I had chosen), one of the more influential people in the group told him: "Fire everyone you're working with and invest in nothing but DFA or Vanguard at worst." I was blown away and decided to call DFA and realized that in order to even use their funds I had to go through a year-long process of approval, which included several trips to Santa Monica, at my own expense, which is very un common in today's financial world.

It was there that I not only learned about Dimensional but I was also introduced to the book, *The Investment Answer* by Daniel Goldie and Gordon Murray, which would change the way I did business from that point forward. This book, discusses a lot about what's wrong in the financial industry, why there is mistrust and why clients don't get the value they anticipate. I'd been in the industry for seven years prior (Merrill Lynch and then our own firm through a small broker-dealer) and our entire practice and investment philosophy revolved around coming up with a story as to why this mutual fund or this money manager was the next "hot" item that clients had to have.

I was essentially selling the product from the latest wholesaler, who decided to take me out to lunch or buy me dinner. I realized that it was all a game, our investment philosophy was a gimmick. Mutual fund companies pay lots of money to advisers to wine and dine them so they will feel obligated to sell their investment product.

In fact the media is fueled by the mutual fund industry, which creates products to solve problems that in a lot of cases they created. They are very good at marketing. Absolute return funds, triple up this and triple down this.

I also looked at why we invested client funds in certain mutual funds and what relationship I had with their salesman (aka wholesaler). I realized that I was only peddling the investment products of those that were spending money on me. After attending the Dimensional workshops (which I paid for) I realized that the money these mutual fund companies were spending on me was coming directly from my clients through their expense ratios. I soon realized that in reality my clients were paying me to sell them something that may be at best “suitable.” I couldn’t in good conscience continue doing that .

This book forced me to quit my relationship with my broker dealer and form a Registered Investment Advisory (RIA) practice, which I soon realized was the only way to provide clients with truly unbiased advice. I didn’t realize that prior to reading this book that having a relationship with a broker dealer (even though I was independent) I was still their employee.

I could only offer funds that they would allow (aka, get kickbacks from) and therefore could not offer true unbiased advice. I also realized that if I was making commissions off products I was selling how could I truly give unbiased advice.

– Ryan T. O’Donnell, CFPT™, wealth manager and founding partner of The O’Donnell Group with \$100 million AUM in Chico, Calif