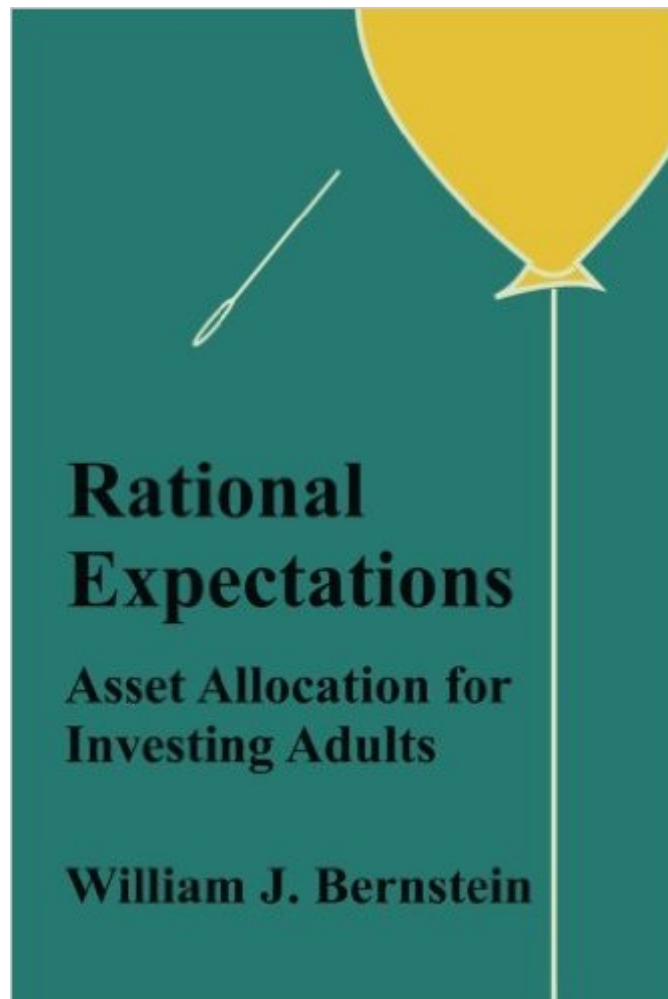


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# **Rational Expectations: Asset Allocation For Investing Adults (Investing For Adults) (Volume 4)**



## Synopsis

Rational Expectations is a clean sheet of paper in the wonky world of quantitatively based asset allocation aimed at small investors. Continuing the theme of the Investing for Adults series, this full-length finance title is not for beginners, but rather assumes a fair degree of quantitative ability and finance knowledge. If you think you can time the market or pick stocks and mutual fund managers, or even if you think that you can formulate an optimally efficient mean-variance asset allocation with a black box, then learn some basic finance and come back in a few years. On the other hand, if you know your way around risk premiums and standard deviations and know who Irving Fisher and Benjamin Graham were, and if you want to sharpen your asset class skills, youâ€™ve come to the right place.

## Book Information

Series: Investing for Adults

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## Customer Reviews

I've read all of Bill Bernstein's books and they are all excellent. Rational Expectations is equally superb. Where Bernstein stands out is his ability to distill dense financial research papers and theories into something that easily readable and usable. He starts out with a review of the historical returns of the major asset classes and continues to develop rational expectations for future returns. He goes a bit deeper into rational for a small and value tilt to your portfolio as well as investigating the momentum factor. Other areas covered include life cycle asset allocation and liability matching portfolios. He also spends time on financial behavioral issues and how they can undermine your plan. Once started, I couldn't put it down and I'm now rereading it. Invaluable!

Good but not great. Bernstein discusses the extremes of equity (risk) products and government bonds (safe) products, and the importance of separating the two. Some good advice there, as well as consideration of premiums such as value, momentum, etc. But he pays only lip service to corporate bonds, and gives no consideration at all to several important intermediate risk asset categories (emerging market bonds, developed market ex-US bonds, high yield bonds, convertible securities, preferred shares, foreign REITs, etc.) It would also have been nice if he had provided an appendix with several sample portfolio allocations for different age and risk tolerance profiles. After all the buildup in his verbiage and empirical evidence, I was quite underwhelmed that he didn't add at least a few sample index allocation profiles as starting points/roadmaps. I love Bernstein's work but this reads more like an 80% complete draft than a finished tome.

Great for followers of Dr. Bernstein and for others who feel they have mastered the basics of personal investing. Not a good first investment book or one for readers not interested in following a bit of college level math and statistics.

This well-researched, thoughtful book is a must read for any advanced investor concerned about his asset allocation and retirement portfolio. I've read lots of investment books and articles and most of the time I learn nothing new. This book taught me several useful new original ideas.

This is a great book on retirement planning for someone with some sophistication in investing. It's not complicated, but would not be appropriate as an introductory book on the subject. Bernstein is an excellent writer and fills the book with many stats and facts. This is one of my favorite books on investment planning. I've read it twice and will probably read it again so I don't forget all of his recommendations.

I have enjoyed reading all of William Bernstein's books and he is a terrific author, making complex concepts very clear. Assuming the reader is comfortable with the basics (specifically material from *The Intelligent Asset Allocator*, *The Four Pillars*, and *Investors Manifesto*) this volume takes it to a deeper level. Assuming you understand basic portfolio design, this volume will help you better understand utilizing factor tilts (small cap, value, momentum, and profitability). One can then apply these factor tilts and use Dimensional funds (or Vanguard - I like both but enjoy the options DFA allows) to design age and situation appropriate portfolios. As markets continue to march onwards, the need for low cost diversified portfolio design is ever important. No doubt other market factors will

become evident and understanding these concepts go a long way at increasing one's ability to design and manage a well diversified, inexpensive portfolio. You will be well rewarded, both intellectually and financially!

There were a lot of things I liked about this work, in that its incredibly up-to-date and really ties together the "investing for adults" series. However, it copy-paste repeats so many examples that you're almost better off reading this book instead of the investing for adults books, and should not really be viewed as book for in the series. It reads like a bunch of mini rants rather than a coherent book, which is slightly disappointing given how great of a writer Dr. Bernstein is. Nonetheless, it has a lot of great insights into the market today.

I have been a fan of Bill Bernstein since he started the Efficient Frontier website. I believe that I have read all of his books. This book is one of his better efforts. He tries to stay away from the mathematics and does an OK job. He says the book is for investing adults and assumes a background in investing. This book is not for novices but does a good job of laying out a good approach to asset allocation in the current low interest environment. I actually read the book twice.

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