

Gray, Wesley R.; Fogel, Jack R. & Foulke, David P. – DYI Financial Advisor

Wiley&Sons, 2015 [Equity Investing], Grade ★★★★★

Trying to elbow oneself into the latest unicorn-celebration in Silicon Valley is a mean feat. But it pales in comparison to the task at hand for the authors of *DYI Financial Advisor* – achieving tenure in the Advice For The Individual Investor-section of the bookstore. However, we believe this book is a credible attempt. The aim of the book is certainly noble: to equip the private investor with the knowledge and confidence needed to say no to little helpers, high fees and underperforming assets and implement a more efficient solution. Every man his own asset allocator.

Along the same path the three authors' day-job at Alpha Architect also revolves around the vision "*to empower the investor through education*". And rarely have there been more well-armed authors to take on the subject. All three of them, led by Wesley Gray (author of *Quantitative Value*), have an ocean of academic and practitioner's experience. There is of course always the risk of singing the praise of one's own commercial solution in a case like this and the authors from time to time play close to the sidelines, but without that there can be no "practical experience".

So, what is the gist of the arguments behind the claim that each individual can be his/her own investor? Stick to FACTS: How should a portfolio be constructed after controlling for Fees, Access, Complexity, Taxes and Search. Underlying the acronym the most important part is simplicity. Again and again, the 60/40-model of 60% equities and 40% bonds has proven almost impossible to beat over time. If you then add "*proven, evidence-based layers of alpha*" such as value, size and momentum, you stand a very good chance to beat the experts. Irrespective of what your beliefs are when it comes to the ability to translate these layers of alpha from theory (studies) to practice (after cost), you will gain lots of insight from these chapters.

The book is practically organized into two parts (please see our [interview](#) with Wesley Gray). Part 1 deals with the rationale and evidence in favor of adhering to simple, systematic processes. Mr. Gray Henrik Andersson, November 25, 2015

has on several occasions pointed out the similarities between his years in the military and a stringent investment process. You need the system in place before you approach the task at hand. As the saying goes: "Sweat in peace so you don't bleed in war". Apart from some minor irritations around why models are superior to human judgements (ETFs are rules-based models. Does that make them inherently more rational?), these chapters give a useful rundown on why rules-based thinking is preferred.

Part 2 then goes on to outline the steps for how individual investors, of all sizes, can beat the experts. To that point the authors opines: "*The key advantage...any individual investors, has over so called 'institutional investors', is the ability to make long-term investment decisions that maximize after-tax, after-fee risk-adjusted performance, without fear of a misalignment of incentives*". I for one believe this freedom from constant surveillance from a myriad of marketplace-actors to far outweigh the potential drawbacks. Each chapter is summarized in a couple of neat paragraphs, a method I find more and more useful. It serves the purpose of needed repetition but also helps to "compare notes" with what the author believe to be the key messages of each chapter. On a more technical note, the fact that all references, sources and notes are put directly after the chapter instead of in a long list at the end means a much higher degree of follow-up and an interaction from the reader.

Funnily enough, people seem more likely to follow the DIY-path when it comes to house-building than investing. The last chapter discusses why an implementation of a do-it-yourself-solution is actually unlikely. This chapter alone is worth more than the \$15 cost of the book, merely by touching on crucial psychological barriers. However, there is little foolproof advice that covers everything. The authors themselves are experts, a group of people "to generally avoid". Also, faced with difficult issues, there is a question they often ask: "*What would Charlie Munger do?*" Touché.