

Schneider, David – The 80/20 Investor

The Writingale Publishing, 2016, [Equity Investing] Grade ★★★★★

I'm not sure this is the best way for a private person to invest his money but it is one that I feel very sympathetic towards. Fortunately life is so much more than investing. Thus, there is a need of rational investing that occupies very little time and this is where *The 80/20 Investor* by the entrepreneur and former banker plus asset manager, David Schneider enters the picture. This is a book that takes the private investor seriously. Not because it is a complex book, on the contrary – but because it trusts him to do the right thing, thinking long term.

The author's 80/20-investment method is as they say simple but not easy. In a nutshell you are advised to get a steady and regular source of cash flow for example from a job or a business venture you enjoy. Then as early as possible in life start the habit of automatically saving 10% of all your income and put the money aside in an easily accessible account. Further, when – but only when – “no-brainer” investment opportunities present themselves, as good assets sell at low prices, a good chunk of the cash should be invested in these. Diversify somewhat. Live your life in peace. Check up on you portfolio with long-between intervals. Only sell if you realize you have made a mistake, if you feel very uncomfortable with a position, if the asset is severely overvalued or if you are forced to do so due to personal emergencies.

The structural advantage of the method is the ability to go against the general market psychology by using a longer time frame. The investor must bide his time, wait for the right moment and let the market come to him - not the reverse. Risk in investments is real loss of money. Mostly these losses come from overpaying for an asset. The main lurking danger is therefore that the investor's impatience makes him invest his money before there are any no-brainers offered by motivated sellers that need the liquidity the 80/20-investor has available. To avoid being lured into the short-term competitive rat race, discussions around benchmarks, the performance of friends etc. should be avoided like the plague.

Mats Larsson, December 20, 2017

To build wealth it is vital to start saving and investing as early as possible to get the force of compound interest on your side. Investment action is only needed very infrequently so the investor should use the time in-between to read up on prospective investments. Schneider suggests to start looking for investments within one's personal circle of competence, for example in the sector where one works or in an area of special interest. Otherwise other no-brainers could be found during a global market crisis, a country crisis, an industry crisis, an asset class depression and during a single company crisis. Just read the paper and the leads to an idea will probably be on the front page. Don't time the bottom, simply buy at good prices.

The book is not without its objections. There is a bit too much space in the first half of the text that makes glorious promises of what will come later and that tries to create cliffhangers, instead of just getting to the point immediately. Perhaps the now 195 pages book would have been considered too short otherwise? Given the intended private investor audience I think the next edition should be 150 pages – it would only add to the book's impact. Also, please make the print and the pictures somewhat prettier.

I'm not sure if the method actually beats simply constantly investing 10% of your income in an index fund ignoring the timing of the investments. Still, the methodology fits well with how I think and with how I would want to say that I invest. I would claim I pass the test when it comes to keeping a long time horizon and letting the market come to me, but I probably should save more while waiting. Instead I have prioritized paying back mortgage loans. It might not be that rational when interest rates are close to zero but for me it's a matter of gaining independence.

There might be a specific time to sow and a different time to harvest in the financial markets but the time for buying this book is always.