



BOOK NOTES

How Not to Invest

by Barry Ritholtz

- No one knows what is going to happen in the future, predictions are predictions. Know if you're an investor or a trader.
- Manage your signal to noise ratio.
- Your financial plan needs to drive your investment plan, otherwise your investments will drive your financial plan.
- Battle denominator blindness in what you consume.
- History doesn't repeat, but it does rhyme.
- Luck = outcome; skill = process!
- Metacognition -> Dunning Krueger shows we overestimate (early) AND underestimate (late) our competence.
- The Illusion of Explanatory Depth: How deeply can you explain what you believe? Facts don't care about your feelings.
- Develop a regret minimization framework for decision making.
- Common unforced investing errors: Have a Plan; Excess Fees; Be tax aware; YOUR behavior; Asset Allocation; Passive v Active; Reaching for yield; Understand cycles; Get what you pay for (use your advisor's services); Be a long-term thinker; Misunderstanding the nature of risk; Emotional decision making and Cognitive errors.

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