

Four books recommended by Humberto Cruz of Tribune Media Services in 2004:

- “*A Random Walk Down Wall Street*” by Burton G. Malkiel.
- “*Stocks For the Long Run: The Definitive Guide to Financial Market Returns and Long-Term Investment Strategies*” by Jeremy J. Siegel.
- “*The Intelligent Asset Allocator: How To Build Your Portfolio to Maximize Returns and Minimize Risk*” by William J. Bernstein, published in 2000
- “*The four Pillars of Investing: Lessons For Building a Winning Portfolio,*” a follow-up by Bernstein in 2002 to his asset allocation book.

The above four books emphasize that:

- Knowing the history of the financial markets will help you come up with more realistic expectations.
- Consistent higher investment returns are not possible without higher risk.
- Over long periods of time, the returns of financial assets tend to “revert to the mean,” that is, gravitate toward a long-term average.
- The returns from stocks cannot forever exceed the growth in profits of the underlying companies.
- While most investors spend enormous amounts of time trying to pick “winning” stocks and mutual funds, the most important decision is to choose the appropriate asset allocation.
- Broad diversification among and within asset classes reduces risk and also may increase long-term returns.
- Finally, obsessing over short-term market swings may actually hurt you over the long term. It will distract you from your main task: to build a diversified portfolio likely to provide your desired long-term return, consistent with your risk tolerance.