



The Only Guide to a Winning Bond Strategy You'll Ever Need: The Way Smart Money Preserves Wealth Today

By Larry E. Swedroe, Joseph H. Hempen

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Larry Swedroe, the author of *The Only Guide to a Winning Investment Strategy You'll Ever Need*, has collaborated with Joe H. Hempen to create an up-to-date book on how to invest in today's bond market that covers a range of issues pertinent to any bond investor today including: bond-speak, the risks of fixed income investing, mortgage-backed securities, and municipal bonds. *The Only Guide to a Winning Bond Strategy You'll Ever Need* is a no-nonsense handbook with all the information necessary to design and construct your fixed income portfolio. In this day and age of shaky stocks and economic unpredictability, *The Only Guide to a Winning Bond Strategy You'll Ever Need* is a crucial tool for any investor looking to safeguard their money.

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The Only Guide to a Winning Bond Strategy You'll Ever Need: The Way Smart Money Preserves Wealth Today By Larry E. Swedroe, Joseph H. Hempen Bibliography

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Editorial Review

From Publishers Weekly

Awkwardly organized and unduly complicated, this book provides a recitation of everything Swedroe and Hempen—co-principals of Buckingham Asset Management—know about bonds, which is a lot. The problem is that their book isn't pitched to a specific enough audience. Sophisticated investors may not mind the authors' heavy reliance on bondsppeak and analytical jargon, but they will wonder why so many pages are devoted to explaining Series EE Savings Bonds. And novices will appreciate the extensive glossary, but they'll be frustrated by the book's lack of explanatory diagrams and its tendency to talk about concepts before properly introducing or defining them. The actual strategy discussion alluded to in the title is addressed only in the book's 25-page, penultimate chapter, where Swedroe and Hempen explain how to use standard techniques like laddering to construct a fixed-income portfolio. If only the preceding 10 chapters had been as succinctly written. (*Mar.*)

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Review

“One of the great untold tragedies of modern finance is the mayhem wreaked upon an unsuspecting public in the bond markets. Whether you're a small investor or an institutional player, the odds are that not only have you been savaged by this machine, but that you don't even know it. Few people know fixed income investing as well as Larry Swedroe; “The Only Guide to a Winning Bond Investment Strategy You'll Ever Need” will steer you through these dangerous waters in safety and comfort.” ?Bill Bernstein, author of *The Four Pillars of Investing*, *The Intelligent Asset Allocator*, and *The Birth of Plenty*

“There's an ol' saying in personal finance and investing: 'You build wealth in stocks, and you preserve it in bonds.' Well, here's a book that offers the best of both worlds! These guys show you how bonds can not only preserve your wealth, they can help you build wealth too!” ?Paul B. Farrell, JD, PhD, columnist, CBS MarketWatch, author of *The Millionaire Code*, *Lazy Person's Guide to Investing*, *The Winning Portfolio*, and others

“A bond book for our time. Clearly, given that most financial observers believe the equity premium is going to decline over the foreseeable future making bonds a relatively better investment, we need to start focusing more on bonds as an investment vehicle. This book provides an excellent roadmap of the bond markets and bonds as a personal investment.” ?Edward R. Wolfe, Ph. D., Professor of Finance, and Director of the Financial Planning Program, Western Kentucky University

“A MUCH NEEDED BOND BOOK. In *The Only Guide to a Winning Bond Strategy You'll Ever Need*, the authors cover the very complex issue of bonds in great detail. This book is a must-read for anyone who's thinking of investing in bonds and really wants to understand what they're all about. Readers will also gain insight into how the bond market works. I feel every bond investor could benefit from reading this book; I know I did. This book definitely should be a part of every bond investor's library.” ?Mel Lindauer, *Forum Leader*, *Morningstar's Vanguard Diehards Forum* and co-author, *The Bogleheads' Guide to Investing*

“This remarkably clear and well-organized book covers just about everything the typical investor needs to know about bonds and other fixed income securities. A real pleasure to read.” ?Kenneth R. French, *Carl E. and Catherine M. Heidt Professor of Finance at the Tuck School of Business at Dartmouth*

“Bonds and other types of fixed income investments are very complex and difficult to understand. Larry Swedroe and Joseph Hempen have collaborated in a book about bonds and fixed income investments that even I can understand. In their easy-to-read manner, they take us through the various fixed-income investments and tell us how and why each security may or may not be suitable for our portfolio. *The Only Guide to a Winning Bond Strategy You'll Ever Need* is destined to become a bond book classic.” *—Taylor Larimore, Dean of the Morningstar Vanguard Diehard Forum, co-author of Bogleheads Guide to Investing*

“At some point - perhaps soon - the Federal Reserve will stop raising interest rates, a decision that is bound to add to the allure of bonds, because bond prices rise as rates fall.

To cater to the potential growing demand for information, Larry E. Swedroe and Joseph H. Hempen, principals at Buckingham Asset Management, an investment firm based in St. Louis, have put together an excellent primer: “The Only Guide to a Winning Bond Strategy You'll Ever Need” (Truman Talley, \$25.95)....they cover the bases extremely well. Even better, they lay out a strategy for investing in bonds that will make sense for most people:

- Buy bonds with the highest ratings, or invest in bond mutual funds that do.

- Buy bonds with short to intermediate maturities. “Holding assets with a maturity of about one to two years is the prudent strategy for those investors wishing to maximize the risk-reward relationship,” the authors write.

- Avoid buying hybrid securities - like convertible bonds and preferred stocks - because their risks outweigh their potential rewards.

- Don't try to time the market. “Buy and hold” is the safest approach, as with stocks.” *—The New York Times, Sunday Business Section, 3/5/06*

“Coming up with a bond strategy takes time, but it's time well spent. Because the same instruments that are sold as safe and secure hedges against trouble can bite you if you're holding the wrong kind in the wrong way and interest rates turn.

A couple of St. Louis financial advisers, Larry Swedroe and Joseph Hempen, have written a straightforward book to address all of those choices.

The Only Guide To A Winning Bond Strategy You'll Ever Need, to be published in March by St. Martin's Press, may sound a bit hyperbolic.

But it's notable because at least one of the authors, Swedroe, has a reputation as an exponent of the “you can't beat the market” philosophy and the inexpensive stock index-fund investing that typically goes with it. He typically tells clients that they shouldn't try to beat the market, but instead should hold diversified portfolios of low-cost stock funds for years and years. So it's worth seeing how such a philosophy would translate to bonds.

..[It] is also informative and direct when it comes to making bond investment choices.” *—Linda Stern (Freelance writer), published on Reuters.com and in Jackson News-Tribune*

“You create wealth with stocks; you preserve it with bonds.

Those of us on the wrong side of 50 are starting to pay more attention to an asset class that just doesn't get the respect it merits: fixed income.

A few weeks back, we noted the recent publication of a Canadian-focused primer on bonds: Hank Cunningham's *In Your Best Interest*.

I noted such books are rare compared to the glut of material on the more glamorous subject of stocks and equity funds. Barely was the ink dry on that column when another bond book came through the transom, from an author I've read and respected for some time: Larry Swedroe.

Swedroe is one of those indexing evangelists who has made the case for indexing equities in such prior books as *What Wall Street Doesn't Want You to Know* and *The Only Guide to a Winning Investment Strategy You'll Ever Need*. (St.Martin's Press, New York, 2001 and 2005).

I guess Larry's that much closer to retirement now because he's about to release his fifth investment book and

it's focused on bonds. He has teamed up with partner Joseph Hempen to write *The Only Guide to a Winning Bond Strategy You'll Ever Need*. The publication date is March 7.

Judging from the endorsement the book got from personal finance writer Jane Bryant Quinn -- "The bond book for our times" -- this one is destined for strong sales. Unlike Cunningham's book, Swedroe's is aimed at American investors. Thus, certain chapters -- like the one on tax-exempt municipal bonds -- aren't of much relevance to Canadian investors. (More's the pity).

Swedroe lists three reasons to include bonds in portfolios: for liquidity to meet unexpected expenses; to reduce portfolio risk; and to create streams of income to meet ongoing expenses.

He then lists the rules of prudent fixed-income investing: buy only investment-grade bonds rated AA or better; avoid long-term bonds by restricting yourself to bonds with maturities that are short- to intermediate-term; avoid trying to guess interest rates or find mispriced securities; avoid hybrid securities such as preferred stocks or convertible bonds; and invest only in low-cost vehicles.

You'll note both the emphasis on low costs and the point about avoiding market timing reinforces Swedroe's long-established indexing bona fides.

Like Cunningham, Swedroe is critical of how brokerage houses price bonds and disclose broker compensation. Swedroe thinks investors should avoid buying individual bonds from banks or brokerage firms because of large invisible mark-ups and because brokers sell mostly what they have in inventory and wish to dispose of.

Swedroe devotes the early chapters to an overview of how the bond market works and the risks that attend it. He scrutinizes how bonds are priced for retail investors and surveys the dominant species inhabiting the fixed income

landscape: government bonds, corporates, international bonds, mortgage-backed securities, money market funds, certificates of deposit (we call these GICs in Canada), and inflation-indexed securities. The latter include U.S. specific iBonds and TIPS (Treasury Inflation Protected Securities), versions of which are called real return bonds in Canada.

But the key chapter is the penultimate eleventh one, which explains how to design and construct a fixed-income portfolio. Here Swedroe looks at the pros and cons of owning bonds through mutual funds or exchange-traded funds, holding individual securities directly or owning bonds in separately managed accounts.

Like Cunningham, Swedroe devotes considerable time to laddering bonds with different maturities. This he describes as "a prudent tactical approach to portfolio construction" that both cuts costs and lets investors balance price risk and reinvestment risk. He also looks at tax efficiency and asset location (as opposed to asset allocation) and describes the importance of getting a financial advisor to craft an Investment Policy Statement (IPS). He suggests investors create a separate Fixed-Income IPS that focuses on investment vehicles, average maturities, minimum acceptable credit ratings and maximum allocation to any one type of debt instrument.

In a canned "interview" the publishers include in a press kit, Swedroe says he wrote the book because "fixed income is a neglected investment tool." As I'd noted when I reviewed Cunningham's book, Swedroe says "there are hundreds of books out there on stocks, far fewer available on fixed income." Too many investors overlook the asset class. That's a mistake because "it's an essential part of a healthy investment portfolio." If a portfolio is a stew, bonds should be viewed as a main ingredient like potatoes or carrots, rather than just a seasoning.

From a Canadian perspective, I'd argue Swedroe's book is not the only such fixed-income guide an investor needs. But it makes a good complement to the Canadian-oriented *In Your Best Interest*.

Buy 'em both." *The National Post*

About the Author

Larry E. Swedroe and **Joe H. Hempen** (a bond expert at Buckingham Asset Management) have

collaborated to write a definitive bond investing book for the 21st century. This is Swedroe's fifth book with St. Martin's Press. Swedroe lives in St. Louis, Missouri.

Users Review

From reader reviews:

Charles Beaudoin:

As people who live in the modest era should be change about what going on or info even knowledge to make all of them keep up with the era that is certainly always change and progress. Some of you maybe will certainly update themselves by studying books. It is a good choice to suit your needs but the problems coming to you actually is you don't know what type you should start with. This The Only Guide to a Winning Bond Strategy You'll Ever Need: The Way Smart Money Preserves Wealth Today is our recommendation to make you keep up with the world. Why, since this book serves what you want and wish in this era.

Waldo Gates:

Now a day individuals who Living in the era wherever everything reachable by interact with the internet and the resources in it can be true or not demand people to be aware of each data they get. How people have to be smart in receiving any information nowadays? Of course the correct answer is reading a book. Examining a book can help folks out of this uncertainty Information specially this The Only Guide to a Winning Bond Strategy You'll Ever Need: The Way Smart Money Preserves Wealth Today book because book offers you rich information and knowledge. Of course the info in this book hundred pct guarantees there is no doubt in it you know.

Pearl Miller:

This book untitled The Only Guide to a Winning Bond Strategy You'll Ever Need: The Way Smart Money Preserves Wealth Today to be one of several books this best seller in this year, honestly, that is because when you read this publication you can get a lot of benefit in it. You will easily to buy this book in the book store or you can order it by way of online. The publisher of this book sells the e-book too. It makes you quicker to read this book, since you can read this book in your Mobile phone. So there is no reason to you to past this guide from your list.

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