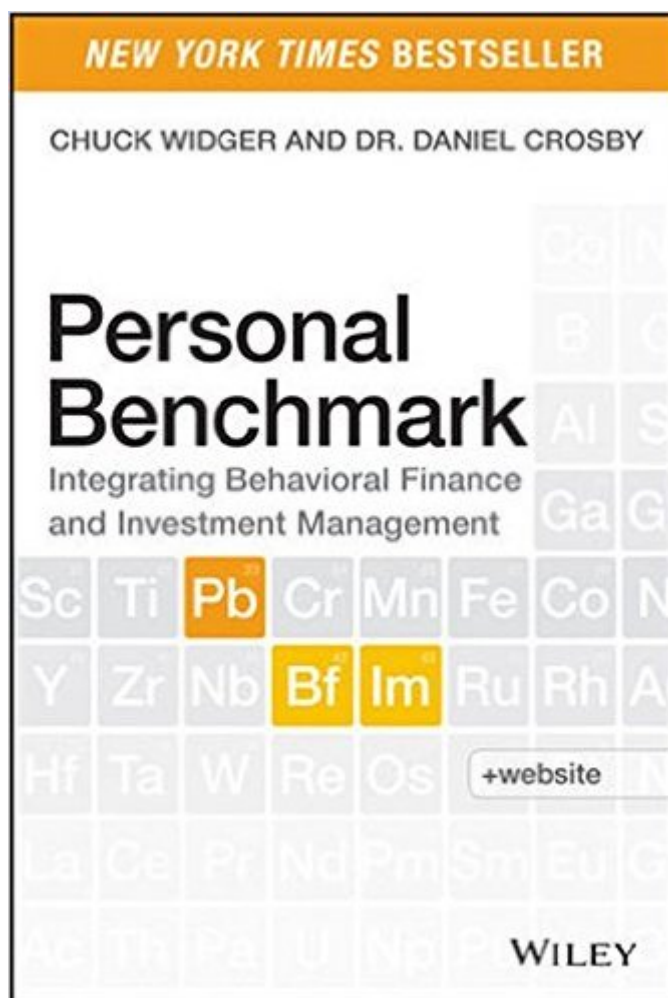


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# Personal Benchmark: Integrating Behavioral Finance And Investment Management



## Synopsis

In *Personal Benchmark: Integrating Behavioral Finance and Investment Management*, Chuck Widger and Dr. Daniel Crosby outline the ways in which a program of embedded behavioral finance, fueled by what matters most to you, can be your protection against irrational financial behavior. Along the way, you'll learn how to improve your investment experience, increase returns formerly sacrificed to misbehavior, and worry less about "The Economy" as you become increasingly focused on "My Economy." Welcome to a new way of investing, a new paradigm for conceptualizing wealth, and a system of turning emotion from your portfolio's worst enemy into its best friend! In this new model, risk is simply the likelihood that we will underperform our dreams. Irrationality is acting in ways that thwart our ability to reach those dreams. And the optimal portfolio is not the one that generates the highest return in abstraction, it is the one that helps us meet our goals without killing our nerves before we get there. This book gives advisors the tools needed to effectively communicate the design and execution of the Personal Benchmark solution.

## Book Information

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## Customer Reviews

Personal Benchmark is strong on the why and weak on the how. It makes a very compelling case for why you should not measure your portfolio against the market, but rather against your ability to reach your goals. But, when it comes to how to implement the strategy, the book gets awfully self-promotional. Not a book with much meat do the do-it-yourself types.

I am a Chartered Financial Analyst and have read dozens of books on personal investing. They usually border on boring college textbooks or get rich quick schemes. Chuck and Dan have written

the first book I have read that will help the average investor improve their outcomes. They clarify many of the scientific theories and demonstrate practical applications that can easily be employed by any investor. If you want better outcomes from your portfolio, this book is a must read!

Investments have always been explained using numbers and statistics. This is necessary, but not sufficient. Behind every investment decision there is a human trying to accomplish something, and such human has emotions that always affect his behavior, and therefore, his rationality. "Personal Benchmark" presents compelling arguments with a clever combination of academic and casual writing styles, which makes it easier to digest such innovative ideas. Behavioral Finance is a fascinating field that introduces the psychological factors that play an important role in the decision-making process. A must read for financial or investment advisers and investors who want to challenge the traditional paradigm, and want to invest successfully by focusing on their own goals instead of following the herd.

As a wealth advisor and CFP<sup>®</sup>, I truly believe the next evolution of the financial planning and advice business is understand and addressing the "why" behind the decisions that we and our clients make. Personal Benchmark is one of the first works I've come across that not only explains the biases that we have, but also provides some tangible solutions to addressing them. If you're a fan of behavioral finance (and even the emerging field of financial therapy) Dr. Crosby is probably someone you've read and followed for a while. If you haven't spent much time reading through his work, Personal Benchmark is a great introduction to not only the theory and and psychology behind the most impactful biases we have, but also to the solutions that can help advisors and investors harness them for the better.

Widger and Crosby have written an intriguing personal investing manifesto. As an investment professional, I've long said that risk isn't easily defined. While some may point to statistical models or standard deviation or even drawdowns as measures of risk, risk is actually intensely personal. Whether it's the risk of not achieving a certain minimum return on an investment that costs you the dream of a new home, vacation or sending a child to college, or whether it's the risk of losing money that keeps you up at night, what we worry about, and therefore how we invest, varies from person to person. Personal Benchmark deals with this topic beautifully by providing details on the theory of My Economy versus The Economy. It also provides actionable insights on how to overcome unconscious biases that may sub-optimize our investment outcomes. For those that want a taste of

just how powerful these biases can be before purchasing the book, I suggest you check out Crosby's Ted talk "You're Not That Great." If you don't want to read the book and delve more deeply into your investment behaviors and biases after that, I'd be very surprised.

Overall, I found this book to contain useful information. However, I think it could have been a much better book. The topic of "goals based wealth management" is evolving and I had hoped to further both my theoretical and practical knowledge as the book was co-authored by an investment executive and a psychologist. The chapters authored by Dr. Daniel Crosby were excellent. His discussion of the behavioral failings of Modern Portfolio Theory and how a goals based strategy could overcome some of those shortfalls was very beneficial. On the other hand, the chapters authored by Chuck Widger read like an "infomercial" for his company, which he mentioned in at least every other sentence. Quite frankly, I am surprised that an editor at Wiley allowed the book to be published this way. It was very tiring and completely subtracted from what he had to say. If he could have talked about his concept of the "Personal Benchmark" without trying to sell his company's program it would have been much more informative and readable. Also, you would think that his company invented the idea of multi-asset class investing and is the only company practicing it. More likely, his company copied a major investment firm like Morgan Stanley. Bottom line: a useful book that could have been much better.

I must admit that I didn't read the entire book because it seemed like the author's real purpose was to promote his business and his proprietary system - not to provide useful information. There may be some good information buried somewhere in the book, but I didn't want to wade through the self-promotion to find it.

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