

3-eBook Bundle!

Investing Bundle

FOR
DUMMIES®

Investing

FOR
DUMMIES



Investing in Shares

FOR
DUMMIES



Currency Trading

FOR
DUMMIES



3-eBook Bundle!

Investing Bundle FOR **DUMMIES®**

Investing
FOR
DUMMIES



Investing in Shares
FOR
DUMMIES



Currency Trading
FOR
DUMMIES



Investing Bundle For Dummies®

Table of Contents

[Investing Bundle For Dummies](#)

[Investing For Dummies](#)

[Table of Contents](#)

[Introduction](#)

[Chapter 1: First Steps on the Money Trail](#)

[Chapter 2: Checking Your Personal Life Before You Invest](#)

[Chapter 3: Recognising What Makes an Investor Tick](#)

[Chapter 4: Squaring Risks with Returns](#)

[Chapter 5: Being Aware of Small Print - and of Print that Isn't There](#)

[Chapter 6: Comprehending How Stock Markets Work](#)

[Chapter 7: Taking the Catwalk Route to Investment Success](#)

[Chapter 8: Investing in Markets](#)

[Chapter 9: Analysing Stock-Market-Quoted Companies](#)

[Chapter 10: Banking on Bonds](#)

[Chapter 11: Building Your Information Bank](#)

[Chapter 12: Choosing a Stockbroker or Financial Adviser](#)

[Chapter 13: Getting Into Unit Trusts](#)

[Chapter 14: Looking at Fund Management](#)

[Chapter 15: Pooling Funds via Investment Trusts](#)

[Chapter 16: Taking Control of Your Pension](#)

[Chapter 17: Hedging Your Fund Bets](#)

[Chapter 18: Investing at Random and with the Intellectuals](#)

[Chapter 19: Investing in Bricks and Mortar](#)

[Chapter 20: Delving into Exotic Investments](#)

[Chapter 21: Ten Tips for Finding a Good Adviser](#)

[Chapter 22: Ten Helpful Hints for You](#)

[Investing In Shares For Dummies](#)

[Table of Contents](#)

[Introduction](#)

[Chapter 1: Exploring the Basics](#)

[Chapter 2: Sizing Up Your Current Finances and Setting Goals](#)

[Chapter 3: Defining Common Approaches to Investing in Shares](#)

[Chapter 4: Assessing the Risks](#)

[Chapter 5: Getting to Know the Stock Markets](#)

[Chapter 6: Gathering Information](#)

[Chapter 7: Finding a Stockbroker](#)

[Chapter 8: Investing for Growth](#)

[Chapter 9: Investing for Income](#)

[Chapter 10: Using Basic Accounting to Choose Winning Shares](#)
[Chapter 11: Decoding Company Documents](#)
[Chapter 12: Analysing Industries](#)
[Chapter 13: Emerging Sector Opportunities](#)
[Chapter 14: Pounds, Prices and Politics](#)
[Chapter 15: Taking the Bull \(Or Bear\) by the Horns](#)
[Chapter 16: Choosing a Strategy That's Just Right for You](#)
[Chapter 17: Using Your Broker and Trading Techniques](#)
[Chapter 18: Getting a Handle on DPPs, DRIPs and PCA . . . ASAP](#)
[Chapter 19: Looking at What the Insiders Do: Corporate Capers](#)
[Chapter 20: Tax Benefits and Liabilities](#)
[Chapter 21: Creating a Smarter Portfolio with Lower-Cost Funds](#)
[Chapter 22: Ten Warning Signs of a Share's Decline](#)
[Chapter 23: Ten Signals of a Share Price Increase](#)
[Chapter 24: Ten Ways to Protect Yourself from Fraud](#)
[Chapter 25: Ten Challenges and Opportunities for Stock Market Investors](#)

[Currency Trading For Dummies](#)

[Table of Contents](#)
[Introduction](#)

[Chapter 1: Currency Trading 101](#)
[Chapter 2: What Is the Forex Market?](#)
[Chapter 3: Who Trades Currencies? Meet the Players](#)
[Chapter 4: The Mechanics of Currency Trading](#)
[Chapter 5: Getting to Know the Major Currency Pairs](#)
[Chapter 6: Minor Currency Pairs and Cross-Currency Trading](#)
[Chapter 7: Looking at the Big Picture](#)
[Chapter 8: Understanding and Applying Market News, Data, and Information](#)
[Chapter 9: Getting Down and Dirty with Fundamental Data](#)
[Chapter 10: Cutting the Fog with Technical Analysis](#)
[Chapter 11: Training and Preparing for Battle](#)
[Chapter 12: Identifying Trade Opportunities](#)
[Chapter 13: Risk-Management Considerations](#)
[Chapter 14: Pulling the Trigger](#)
[Chapter 15: Managing the Trade](#)
[Chapter 16: Closing Your Position and Evaluating Your Trading Results](#)
[Chapter 17: Ten Habits of Successful Currency Traders](#)
[Chapter 18: Ten Beginner Trading Mistakes](#)
[Chapter 19: Ten Rules of Risk Management](#)
[Chapter 20: Ten Great Resources](#)



Making Everything Easier!™

3rd Edition

Investing

FOR

DUMMIES®

Learn to:

- Understand how the stock market works
- Recognise opportunities and spread your risks
- Build a successful investment portfolio
- Make the most of bonds, shares, property and hedge funds

Tony Levene



Investing For Dummies[®], 3rd Edition

by Tony Levene



Investing For Dummies[®], 3rd Edition

Published by
John Wiley & Sons, Ltd
The Atrium
Southern Gate
Chichester
West Sussex
PO19 8SQ
England

E-mail (for orders and customer service enquires): cs-books@wiley.co.uk

Visit our Home Page on www.wiley.com

Copyright © 2010 John Wiley & Sons, Ltd, Chichester, West Sussex, England

Published by John Wiley & Sons, Ltd, Chichester, West Sussex

All Rights Reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except under the terms of the

Copyright, Designs and Patents Act 1988 or under the terms of a licence issued by the Copyright Licensing Agency Ltd, Saffron House, 6-10 Kirby Street, London EC1N 8TS, UK, without the permission in writing of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Ltd, The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, England, or emailed to permreq@wiley.co.uk, or faxed to (44) 1243 770620.

Trademarks: Wiley, the Wiley Publishing logo, For Dummies, the Dummies Man logo, A Reference for the Rest of Us!, The Dummies Way, Dummies Daily, The Fun and Easy Way, Dummies.com and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries, and may not be used without written permission. All other trademarks are the property of their respective owners. Wiley Publishing, Inc., is not associated with any product or vendor mentioned in this book.

<p>Limit of Liability/Disclaimer of Warranty: The contents of this work are intended to further general scientific research, understanding, and discussion only and are not intended and should not be relied upon as recommending or promoting a specific method, diagnosis, or treatment by physicians for any particular patient. The publisher, the author, and anyone else involved in preparing this work make no representations or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation any implied warranties of fitness for a particular purpose. In view of ongoing research,</p>

equipment modifications, changes in governmental regulations, and the constant flow of information relating to the use of medicines, equipment, and devices, the reader is urged to review and evaluate the information provided in the package insert or instructions for each medicine, equipment, or device for, among other things, any changes in the instructions or indication of usage and for added warnings and precautions. Readers should consult with a specialist where appropriate. The fact that an organization or Website is referred to in this work as a citation and/or a potential source of further information does not mean that the author or the publisher endorses the information the organization or Website may provide or recommendations it may make. Further, readers should be aware that Internet Websites listed in this work may have changed or disappeared between when this work was written and when it is read. No warranty may be created or extended by any promotional statements for this work. Neither the publisher nor the author shall be liable for any damages arising herefrom.

For general information on our other products and services, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at 317-572-3993, or fax 317-572-4002.

For technical support, please visit www.wiley.com/techsupport.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books.

British Library Cataloguing in Publication Data: A catalogue record for this book is available from the British Library

ISBN 978-0-470-66678-4 (hardback), ISBN 978-0-470-66718-7 (ebk),

ISBN 978-0-470-66719-4 (ebk), ISBN 978-0-470-66976-1 (ebk)

Printed and bound in Great Britain by TJ International, Padstow, Cornwall

10 9 8 7 6 5 4 3 2 1



About the Author

Tony Levene is a financial journalist with over 35 years' experience specialising in investment and consumer issues. He was a member of *The Guardian* Money team for over 11 years. Previously he worked for newspapers including *The Sunday Times*, *Sunday Express*, *Daily Express*, *The Sun*, *Daily Star* and *Sunday Mirror*. He has also published eight other books on investment and financial issues. Tony lives in London with his wife Claudia, 'grown-up' children Zoë and Oliver, and cats Plato, Pandora, and Pascal.

Dedication

This book is dedicated to Claudia, for her patience during the book's gestation; to Oliver for persuading me to write it; and to Zoë for her suggestions and approval of my initial chapter. I would also like to thank my brother Stuart for giving me

sanctuary away from phones and other distractions whilst I wrote much of it.

Author's Acknowledgements

I would like to thank Jason Dunne, Daniel Mersey and Steve Edwards at Wiley for their patience and help during the various stages of this book. And an especial thank you to Sandra Lynn Blackthorn (Sandy), for all her work in turning my manuscript from a book about investment into *Investing For Dummies*.

But most of all, I would like to acknowledge Peter Shearlock. Peter, whom I first met at school when we were both aged 11, was responsible for starting my career as an investment writer and has helped me invaluablely along the way. He gave me my first lessons in the irrationality that often characterises financial markets and introduced me to 'City characters' ranging from spivs and chancers to the epitome of blue-blooded respectability. It is this variety that makes investing so fascinating. Thanks, Peter.

Publisher's Acknowledgements

We're proud of this book; please send us your comments through our Dummies online registration form located at www.dummies.com/register/.

Some of the people who helped bring this book to market include the following:

Commissioning, Editorial, and Media Development

Project Editor: Steve Edwards

Content Editor: Jo Theedom

Commissioning Editor: David Palmer

Assistant Editor: Ben Kemble

Copy Editor: Charlie Wilson

Technical Editor: Julian Knight

Proofreader: Jamie Brind

Production Manager: Daniel Mersey

Cover Photos: © First Light/Alamy

Cartoons: Ed McLachlan

Composition Services

Project Coordinator: Lynsey Stanford

Layout and Graphics: Carl Byers, Joyce Haughey, Christin Swinford

Proofreader: Jessica Kramer

Indexer: Claudia Bourbeau

Investing For Dummies[®], 3rd Edition

Table of Contents

[Introduction](#)

[About This Book](#)

[Conventions Used in This Book](#)

[Foolish Assumptions](#)

[How This Book Is Organised](#)

[Part I: Investment Basics](#)

[Part II: Shares and Bonds](#)

[Part III: Collective Investments](#)

[Part IV: Property and Alternatives](#)

[Part V: The Part of Tens](#)

[Icons Used in This Book](#)

[Where to Go from Here](#)

[Part I: Investment Basics](#)

[Chapter 1: First Steps on the Money Trail](#)

[What's Your Reason for Investing?](#)

[What's Your Personality Type with Money?](#)

[Spenders have fun](#)

[Savers have cash](#)

[Investors build up future funds](#)

[Surprise! You've Probably Been Investing Already](#)

[Investing through your pension fund](#)

[Investing through a share in your firm's fortunes](#)

[Five Basic Investment Choices](#)

[You can't go wrong with cash](#)

[Property is usually a solid foundation](#)

[Bonds are others' borrowings](#)

[Get your share of shares](#)

[Alternatives are a hodgepodge to consider](#)

[Chapter 2: Checking Your Personal Life Before You Invest](#)

[Assessing Your Personal Wealth](#)

[Taking Care of Family Before Fortune](#)

[Studying How to Save without Sacrificing](#)

[Looking After Your Life and Health](#)

[Paying into a Pension Plan](#)

[Taking Care of Property Before Profits](#)

[Setting Up a Rainy-Day Fund](#)

[Chapter 3: Recognising What Makes an Investor Tick](#)

[Understanding Investor Psychology](#)

[The psychology of the marketplace](#)

[The psychology of the individual](#)

[Looking at the Emotions That Drive Investors](#)

[Greed is the accelerator](#)

[Fear is the brake](#)

[Debunking the 'Stock Market as a Casino' Psychology](#)

[How things work in gambling](#)

[How things work in investing](#)

[Two dangers investors share with gamblers](#)

[Sound Tips for the Cautious Investor](#)

[Chapter 4: Squaring Risks with Returns](#)

[Examining Two Investing Principles You Should Never Forget](#)

[Determining the Return You Want from Your Money](#)

[The likely return from shares](#)

[The likely return from bonds](#)

[The likely return from property](#)

[The likely return from a cash account](#)

[The likely return from other assets](#)

[Increasing Your Chances of Successful Returns](#)

[Plenty of factors affect your chances of success](#)

[Diversification is your best friend](#)

[Patience is your pal](#)

[Chapter 5: Being Aware of Small Print – and of Print that Isn't There](#)

['Um, Where Do I Actually Find the Small Print?'](#)

[Shares Can Go Down As Well As Up](#)

[The Best Bonds Can Go Bust](#)

[Great Ideas Don't Last Forever](#)

[Property Investments Can Crumble](#)

[Tax-Free Can Be a Dead Loss](#)

[Foreign Scam Operations Are Bigger \(and Trickier\) Than Ever](#)

[Beware the boiler rooms](#)

[Dealing with boiler-room operatives](#)

[Steering clear of onshore boiler rooms](#)

Part II: Shares and Bonds

Chapter 6: Comprehending How Stock Markets Work

Looking at the Evolution of the Stock Market

Understanding Shares

Why raise money through shares?

How companies get to the stock market

Ways to buy shares

The perks you get when buying ordinary shares

Understanding Bonds

Getting Familiar with the Ups and Downs of the Market

Why do prices rise and fall?

Can anyone predict these moves?

Understanding the Mechanics of the Stock Market

Knowing How Companies Leave the Market

Chapter 7: Taking the Catwalk Route to Investment Success

Exploring Common Investor Styles

Looking at performance: Growth investors

Spotting what others have missed: Value investors

Living for the moment: Momentum investors

Opting for slow and steady: Income investors

Mixing and matching your way to investment sophistication with GARP

Taking it from the top, or building it from the bottom

Getting Up Close and Personal with the UK Stock Market

Understanding market cap

The FTSE 100 (the Footsie)

The FTSE 250 (The Mid Caps)

[Beyond the FTSE 250: The Tiddlers](#)

[Smaller than tiddliest Tiddler: AIM](#)

[PLUS market](#)

[Assessing How Fund Managers Mark Their Styles](#)

[Chapter 8: Investing in Markets](#)

[Looking at Where the Stock Market Entry Routes Are](#)

[Knowing the Trend Is Your Friend](#)

[Identifying Two Top Investment Trade Tricks](#)

[The passive versus active path to profits](#)

[The advantages of exchange-traded funds](#)

[Knowing What to Consider When Buying Individual Shares](#)

[Knowing the psychological impact of the economy](#)

[Knowing the power of interest rates](#)

[Knowing the long-term trend](#)

[Enjoying the Payments and Perks of Owning Shares](#)

[Getting dividends](#)

[Getting discounts and freebies](#)

[Chapter 9: Analysing Stock-Market-Quoted Companies](#)

[Comparing Apples with Apples: The Gospel According to the Market](#)

[Identifying the Basic Building Blocks of Companies: Profits](#)

[Looking at profits from an accountant's point of view](#)

[Examining a company's profit and loss account](#)

[Understanding what company profits and losses actually mean](#)

[Knowing What to Look at First: Earnings Per Share](#)

[What a price/earnings ratio is](#)

[What a prospective price/earnings ratio tells you](#)

[How to use the price/earnings ratio](#)

[Knowing What Dividends Really Mean](#)

[Understanding what dividends tell about the company](#)

[Deciphering the signs that dividends provide](#)

[Deciding Whether Forecasts Are Reliable Sources or a Lot of Hot Air](#)

[Looking at Takeovers: Good, Bad, or Ugly?](#)

[Discussing Technical Analysis: The Arcane World of Share Price Charts](#)

[Chapter 10: Banking on Bonds](#)

[Getting Down to the Bottom Line on Bonds](#)

['Do I need bonds?'](#)

['Tell me the big differences between bonds and shares'](#)

[Looking at UK Government Bonds: All That's Gilt Isn't Gold](#)

[Identifying What Makes Bond Prices Go Up and Down](#)

[The interest-rate gamble](#)

[The credit rating conundrum](#)

[The redemption calculation](#)

[Knowing Which Way to Buy Your Bonds](#)

[Chapter 11: Building Your Information Bank](#)

[Taking a Look Around You](#)

[Going Online](#)

[Exploring the company's website](#)

[Exploring other sites for more info on the company](#)

[Bookmarking your favourite sites](#)

[Examining Tipsheets](#)

[Looking at News Coverage](#)

[Chapter 12: Choosing a Stockbroker or Financial Adviser](#)

[Deciding Whether You'd Like That Service With or Without Advice?](#)

[Pinpointing the Levels of Service Available](#)

[Advisory service](#)

[Discretionary service](#)

[Execution-only service](#)

[Knowing What You Can Expect to Pay](#)

[Commission](#)

[Fixed or by the hour](#)

[Based on the level of service](#)

[Knowing What to Look At When Selecting a Stockbroker](#)

[Considerations with discretionary and advisory services](#)

[Considerations with execution-only services](#)

[Sticking to one broker](#)

[Additional considerations](#)

[Signing Up with a Stockbroker](#)

[Dealing with IFAs](#)

[Finding a discount IFA](#)

[How to sign up with a financial adviser](#)

[Part III: Collective Investments](#)

[Chapter 13: Getting Into Unit Trusts](#)

[Understanding What Unit Trusts Are](#)

[Examining One Big Difference Between Unit Trusts and OEICs](#)

[Knowing How Much Unit Trusts Cost](#)

[The initial charge](#)

[The annual charge](#)

[Hidden charges](#)

[Selecting the Best Unit Trust for You](#)

[Unit-trust sectors](#)

[Comparing Active Versus Passive Fund Managers](#)

[Taking Ethics into Consideration](#)

[Shades of green: Ethical unit trusts](#)

[Balancing act: The pros and cons of ethical investing](#)

[Going with a Fund of Funds](#)

[Examining Monthly Investment Plans](#)

[Finding Out More About Unit Trusts](#)

[Chapter 14: Looking at Fund Management](#)

[Considering Packaged Funds](#)

[Understanding How Fund-Management Companies Operate](#)

[Calculating their crust](#)

[Examining the role of the marketing department](#)

[Evaluating the Worth of Performance Tables](#)

[The same figures can tell different stories](#)

[Tables that use discrete figures](#)

[What tables are strongest at showing](#)

[Separating the Good Managers from the Bad](#)

[Appreciating the Worth of Fund-Manager Fees](#)

[Filling Your Financial Trolley at Fund Supermarkets](#)

[Understanding Tax and the Investment Package](#)

[Income tax](#)

[Capital Gains Tax](#)

[How to invest tax free: the Individual Savings Account](#)

[Chapter 15: Pooling Funds via Investment Trusts](#)

[Finding Out about Investment Trusts](#)

[Discovering the Discount](#)

[Gearing Isn't Just for Bicycles](#)

[Saving Costs Through Savings Schemes](#)

[A very bright idea](#)

[What to look for in a savings scheme](#)

[Paying the Fund Managers](#)

[Adventuring into Venture Capital](#)

[Binding Yourself into an Insurance Bond](#)

[Chapter 16: Taking Control of Your Pension](#)

[Seeing How the Pension Situation Has Changed](#)

[Knowing When You'll Retire](#)

[Expecting Something from Your Employer](#)

[Examining the Investment Deal](#)

[Putting Your Marker on the Risk Spectrum](#)

[Dealing with the Lifestyle Option](#)

[Swallowing the Whole Pensions Glass with a SIPP](#)

[Dispelling some common myths](#)

[The SIPP shopping list](#)

[SIPP suitability – or is it for me?](#)

[Deciding what to put into a SIPP](#)

[Costing a SIPP](#)

[Moving your place of work into a SIPP](#)

[Finalising Your Pension with an Annuity](#)

[Chapter 17: Hedging Your Fund Bets](#)

[Defining Hedge Funds](#)

[Choosing Strategies](#)

[Relative-value strategies](#)

[Event-driven strategies](#)

[Opportunistic strategies](#)

[Finding an Easy Way In: A Fund of Hedge Funds](#)

[Taking Hedging Some Stages Further](#)

[Absolute-return funds: Choose your risks and take your rewards](#)

[130–30 funds: An answer to the one-way bet](#)

[Some Do's and Don'ts: A Hedge-Fund Checklist](#)

[Chapter 18: Investing at Random and with the Intellectuals](#)

[Pinning Your Hopes on Chance](#)

[Looking at the Worth of Fund Managers](#)

[Knowing the Limits of a Random-Choice Portfolio](#)

[You need a long time span](#)

[Traditionally, you need to select assets](#)

[Understanding Modern Portfolio Theory](#)

[Exploring the Hybrid Portfolio Theory](#)

[The portfolio divisions](#)

[Will HPT work?](#)

[Part IV: Property and Alternatives](#)

[Chapter 19: Investing in Bricks and Mortar](#)

[Buying Property to Rent: The Pros and Cons](#)

[Considering the Affordability Issue](#)

[Looking at the Buy-to-Let Mortgage](#)

[How much can you borrow?](#)

[How much will you actually get?](#)

[Items to consider about the mortgage](#)

[The Property Yield: A Comparison Tool](#)

[Understanding Location, Location, Location](#)

[Matching tenants to the property's location](#)

[Considering properties in poor condition](#)

[Getting Savvy with Attracting Tenants](#)

[Advertise for them](#)

[Contact local employers](#)

[Use word of mouth](#)

[Use the Internet](#)

[Buying Overseas](#)

[Being Aware of the Tax Issue](#)

[Investing in Commercial Property](#)

[What's good about commercial property?](#)

[What's bad about commercial property?](#)

[How to invest in commercial property](#)

[Chapter 20: Delving into Exotic Investments](#)

[Getting into Gear for a Faster Ride](#)

[Optioning Your Bets](#)

[What is a stock market option?](#)

[Looking at the two sides of the options contract](#)

[Protecting your investment with traded options](#)

[Trading Good News](#)

[What are call prices and put prices?](#)

[What is option volatility?](#)

[Taking a Gamble with Spread Betting](#)

[Limiting Your Betting Losses with Binary Betting](#)

[Getting Contracts for Difference – for a Different Kind of Deal](#)

[How CFDs work](#)

[The benefits and drawbacks of CFDs](#)

[Understanding Warrants](#)

[Growing an Interest in Commodities](#)

[Part V: The Part of Tens](#)

[Chapter 21: Ten Tips for Finding a Good Adviser](#)

[Know the Difference Between Tied and Independent Advisers](#)

[Look at Adviser Listings and Ask Questions](#)

[Work Only With Advisers Who'll Negotiate Their Fees](#)

[Examine the Adviser's Good and Bad Points](#)

[Know the Difference Between Junk Mail and Real Advice](#)

[Know the Adviser's Training Qualifications](#)

[Define and Limit the Adviser's Role](#)

[Determine Whether the Adviser's Adding Real Value](#)

[Know Whether the Adviser Always Plays It Safe](#)

[Know Whether the Adviser Will Be There Tomorrow](#)

[Chapter 22: Ten Helpful Hints for You](#)

[Define Where You Want to Be](#)

[Protect What You Have](#)

[Pay Off the Home Loan](#)

[Accept Losses](#)

[Take Your Time](#)

[Do the Groundwork](#)

[Get a Handle on the Odds](#)

[Know When to Sell](#)

[Read the Small Print](#)

[Wake Up without Worries](#)

Introduction

So much has happened for investors in almost the twinkling of an eye, it's certainly time for a new edition of *Investing For Dummies*.

You'd have to be around 100 years old to remember the last time the world was so convulsed by economic and investment markets crises.

Over the past couple of years we've watched a run on a small UK bank, the forced nationalisation of two more, the collapse of some of New York's biggest investment banks, mayhem in the US housing finance market, the bankruptcy of Icelandic banks, the rescue of the Greek and many other smaller European economies in the eurozone, record low interest rates almost everywhere guaranteeing that savers get a bad deal, and the rise of economies such as India and China – and that's only scratching at the surface of all the recent changes in the world of investing.

On top of all that's happened in the big bad world, understanding investment has become more crucial than ever thanks to the end of so many guaranteed pensions from employers. Knowing about investments could almost have been a hobby when I wrote the first edition of *Investing For Dummies* nearly a decade ago. Now, you're out there on your own with pension investment decisions.

But not everything has changed in the investment world. No matter how chaotic it may seem, or how complex the hedge fund universe appears to all but those with a double degree in investment rocket science, the essentials remain the same.

Investment markets are still a battleground between fear and greed. How else to explain one set of investors bailing out a country's failing economy only to be replaced with others who hope to profit from what's left?

And neither *Investing For Dummies* nor any other source of advice will ever be right all the time. If you can get more than half of your decisions right and beat the averages, then you're doing as well as you're likely to. This applies to the so-called experts and professionals as well.

This book gives you the facts upfront and honestly. So you'll find no magic formula for wealth here. Besides, even if there were a get-rich-quick recipe, I wouldn't be telling anyone about it; I'd be using it.

No one can predict which shares will do well (although that doesn't seem to stop people from asking me for sure-fire tips at parties). But what I can provide is guidance to help you make sensible decisions that suit your circumstances.

Investing involves more than understanding an economics textbook or balance sheet. It involves understanding a whole lot about human reactions to the ups and downs of money, plus (really important) understanding how you react. And it's fascinating because it's where you find all the drama of human life, because investment values represent nothing other than the combination of the minds of all the people involved in investment markets.

Over the three decades and more that I've been writing about money, I've continued to find investing a fascinating subject and endeavour, and I've become moderately more well off than I would've otherwise been. I hope that this book helps you become fascinated with investing too. And I also hope that by

reading it, you'll be better off than you would've otherwise been.

About This Book

This book is designed to be read in several ways. It's a reference book, so you don't have to read the chapters in chronological order, from front to back, although of course you can read it cover to cover, like a novel, to gain appreciation for the huge variety of investment opportunities that are available. (If you approach the book this way, I suggest doing so with pen and paper at the ready so that you can note areas for further research on the Internet or from publications such as the *Financial Times*.) Or you can just pick a topic that interests you or go straight to a section that answers a particular question you have.

But my preferred way for you to read this book is to go through Part I and *then* pick up on the investments that concern or interest you. For example, after reading Part I you may want to go straight to Part III to find out what collective investments are because, say, an advert about collective investments has caught your eye or a financial adviser has suggested one or two of them. Likewise, you may want to skip the chapter on buy-to-let properties because, say, being a do-it-yourself landlord is the last thought on your mind.

Conventions Used in This Book

I've tried to avoid jargon as much as I can, but know that the investment world is full of it. Like all professions and occupations, finance and investment have their own insider language that's intended to mystify outsiders. When I do use the industry's language in the text, I *italicise* the term and define it for you in an easy-to-understand way.

Foolish Assumptions

While writing this book, I made some assumptions about you:

You're either completely new to investing or have limited information about it, and you want someone to help you understand what investing is really about and what types of investments are available.

You don't want to become an expert investor at this point in your life. You just want the basics – in informal, easy-to-understand language.

You want to make up your *own* mind while using a guide through the investment jungle. You want enough pointers for you to risk only what you can afford to lose and for you to make a worthwhile return on your hard-earned cash.

How This Book Is Organised

This book has five major parts, or themes. Each part is divided into chapters relating to the theme, and each chapter is subdivided into individual sections relating to the chapter's