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Allison Grebe Lee
Financial Planner

Back to School with Personal Finance and Investing

I am frequently asked what investment/finance books are helpful for adults looking to improve their finance knowledge. As summer inevitably starts winding down and the kids are heading back to school, now is the perfect time for adults to also get a jump on learning! Why not throw a few books for your ongoing education in your personal back to school shopping cart? Below is a short list of reference and easy-to-follow books to help you on your financial journey.

For the Beginner

Basic Accounting Fresh from the Lemonade Stand by Darrell Mullis and Judith Orloff

If you took “Math for the Non-math Major” in college and you think LIFO and FIFO are the names of Popeye’s dogs, this book is for you. Organized around the concept of a child’s lemonade stand, this book teaches the financial language basics in an easy to follow and engaging manner. While it looks like a book for kids with its bright colors and cartoon drawings, this book will have you understanding accrual versus cash accounting in no time.

Financial Intelligence: A Manager’s Guide to Knowing What the Numbers Really Mean by Karen Berman, Joe Knight and John Case

A book for the non-financial person to understand what the CFOs, CIOs and CPAs in their life are really saying. This book provides a basic overview and understanding of financial calculations, balance sheets, and the time value of money through real-world stories and examples.

Investopedia.com

For a go-to financial dictionary, Investopedia.com is at the top of most lists. The dictionary section provides “Terms of the Day” that quickly and easily define various investing and finance concepts. When reading through more complicated industry books, Investopedia.com is a good guide to look up new terminology.

For the More Advanced

The Intelligent Investor (Collins Business Essentials) by Benjamin Graham, Jason Kweig (collaborator), and Warren Buffett (collaborator)

One of the original greats, *The Intelligent Investor* is a must-read. It is fairly dry and more of a textbook than an easy read, but the principles and strategy covered by this book are important building blocks for long-term investing.



The Four Pillars of Investing by William J. Bernstein, Donald G. Coxe

As Dr. Bernstein notes, the “competent investor never stops learning.” Separated into four essential content areas, *The Four Pillars of Investing* guides the reader through investment theory, the history of investing, the psychology of investing and, finally, how fees and expenses impact the market. The author’s premise is that as an investor learns about these four pillars, he can start to build a solid foundation for investing.

The Little Book of Valuation by Aswath Damodaran

This is one of many books on equity valuation by Aswath Damodaran, Professor of Finance at the Stern School of Business at New York University. The core of the book centers on the distinction of intrinsic valuation and relative valuation, lifecycle valuation approaches (i.e., growth companies vs. mature companies), and sector distinction (e.g, financial services vs non-financial services). Unlike his previous books, this book is aimed at non-professional/practitioner investors. It provides investors with relevant tools on how to value a company and distinguish the key elements that Professor Damodaran defines as “value drivers”. These can include growth, margins, capital structure and others.

Valuation: Measuring and Managing the Value of Companies by McKinsey & Company, Tim Koller, Marc Goedhart, and David Wessels

Now in its sixth edition, this is an extensive book which provides readers with a complete review of valuation techniques and corporate finance. In comparison to other valuation books, McKinsey's book (not surprisingly!) weaves together management strategy, return on invested capital, financial statement analysis/forecasting, and valuation into a coherent approach that remains a top read for finance professionals. Although lengthy at nearly 800 pages, the book is well organized and written with detailed discussions on all key topics.

Something for the Kids

Raising Financially Fit Kids by Joline Godfrey

This book will help parents get their kids back to school with a financial plan to carry them through the year. Divided by age groups, the book is a resource tool for parents looking for ways to teach their kids financial literacy.

Allen Capital Management/Allen Trust Company can help you with questions regarding financial planning. If you are one of our clients, or think you might want to be, please contact us at (503) 292-1041 or via email at allison@allentrust.com.