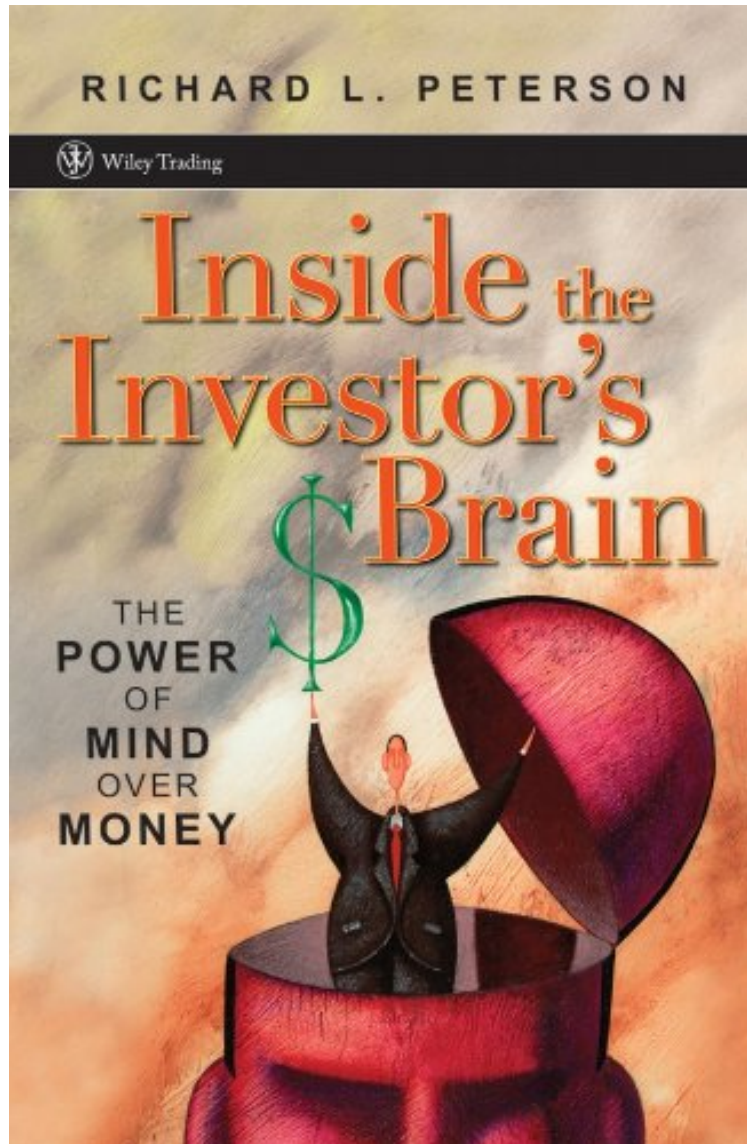


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Inside the Investor's Brain: The Power of Mind Over Money (Wiley Trading)

Richard L. Peterson

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Richard L. Peterson : Inside the Investor's Brain: The Power of Mind Over Money (Wiley Trading) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Inside the Investor's Brain: The Power of Mind Over Money (Wiley Trading):

0 of 0 people found the following review helpful. Prof. Peterson wrote a masterpiece waving together behavioral finance ...By AlphanorProf. Peterson wrote a masterpiece waving together behavioral finance, market psychology and

recent advances in brain science. The ideas are well presented, illustrated with many examples coming from real life or academic research, while always remaining very accessible and with clear conclusions. Every investment professional interested in market psychology and/or behavioral finance should own a copy of this outstanding book. 4 of 5 people found the following review helpful. An Awesome Synthesis By Herbert Gintis

Richard L. Peterson, *Inside the Investor's Brain: The Power of Mind over Money* (Wiley 2007). Richard Peterson is a medical doctor with a residency in psychiatry, and with postgraduate training in neuroeconomics from Stanford University. He is a former stock trader, Associate Editor of *The Journal of Behavioral Finance*, a high-level professional economics journal. He also runs a hedge fund based on the principles laid down in this book. It would be hard to find someone better credentialed to give investment advice. This is a self-help book for people who are scientifically minded, care about managing their finances better, and are beyond the obvious, but most important, issues, such as paying the rent or mortgage on time, avoiding credit card debt, and treating Las Vegas or the state lottery as the wise man's preferred risk management strategy. The book is completely chocked with good ideas based on solid fact, and is nevertheless pleasant and enjoyable reading. Peterson tells you right from the start the basics of investing: (a) if it sounds too good to be true, it probably is; (b) aggressive investing (churning your portfolio) is good for your broker and bad for you---pick a portfolio and then let it do its job without daily monitoring and stock switching; (c) if you think you can beat the market because you are lucky, smart, high-testosterone, physically attractive, blessed by God, or what have you, you are really just a sucker; (d) unless you have some special information (and that does mean a stock tip from your nephew in the pharmaceutical industry), stick with low overhead mutual funds and government/corporate bonds---read the prospectus to make sure there are no up front or back-loaded charges, and the yearly service charge is very, very small (expense ratio below 0.2%); (e) money that you might need in the next ten years should be put in bonds, the rest in stocks---older investors should have their retirement needs met by fixed return instruments, such as pensions, social security, and interest from bonds. If you think anything I said in the previous paragraph is incorrect, you are a sucker and you will most likely lose money. If you follow all of the above principles, you are a wise investor, and you will make money. It is just that simple. If you believe me, and you can actually follow this advice, you really don't need to read Peterson's book, although you may find it interesting on purely intellectual grounds. If you are a sucker, as defined above, you won't benefit from this book, but then again, you won't have gotten this far in this review, either. Who, then, is this book for? First and foremost, it is for someone who has an open mind, does not accept uncritically my investment advice above, but is willing to be persuaded by the facts. Peterson presents all the fact you will ever need. Second, you may believe I am basically correct, but the existence of so many multi-millionaire "smart traders" suggests that there may be a "sixth sense" or a set of behavioral characteristics that allows their owners consistently to beat the market. Peterson believes there is, and he tries to show you how to develop them in this book. The three most important principles he offers are (a) if you know that lots of traders are emotionally biased in one direction, you can make money by betting on the other direction; (b) the market tends to overreact to short-term movements, and you can gain by overreacting in the other direction; and (c) if you can come to understand and correct your own emotional and behavioral weaknesses, you at least stand a chance of beating the market. As to how you come to pick future winners, I do not know, and Peterson does not explain. He talks of "intuition," "hunches", and the like. I am not convinced there is really anything there. The behavioral economics explained in this book is very interesting in its own right, and Peterson is a wonderful teacher, always getting to the heart of the issue, and neither over- nor under-selling a particular point. As for the neuroscience in the book, it is flashy and impressive, but I think it is just window dressing.

0 of 0 people found the following review helpful. extremely insightful... By Carey very clarifying.. not only great studies but concrete examples of market phenomenon. i would insist anyone who wants to consider trading read this book.. I really like how much he backs journaling and just overall emotional health when it comes to success!

Unique insights into how the mind of an investor operates and how developing emotional awareness leads to long-term success *Inside the Investor's Brain* provides readers with specific techniques for understanding their financial psychology, so that they can improve their own performance and learn how to outsmart other investors. Chapter by chapter, author Richard Peterson addresses various mental traps and how they play a role in investing. Through examples, such as a gambling experiment with playing cards, the author shows readers how being aware of the subconscious can separate the smart investors from the average ones. This book also contains descriptions of the work of neuroscientists, financial practitioners, and psychologists, offering an expert's view into the mind of the market. Innovative and accessible, *Inside the Investor's Brain* gives investors the tools they need to better understand how emotions and mental biases affect the way they manage money and react to market moves.

"Exceptionally well-written, it will likely prove to be a seminal text on the influence of the human brain on investment behavior. And neurofinance, as that field is known, may provide the next great edge for savvy investors. ... *Inside the Investor's Brain*, written by an experienced but surprisingly young author (he's 35), is outstanding. Peterson and his first book have much to offer investors and the institutions in which they work." -- Dr. David L. Nathan, (*Barron's*, September 2007) "Clear and Accessible." -- Bob Frick (*Kiplinger's Personal Finance*, December 2007) "Highly

recommended." -- (Kiplinger's Best Investing Reads of 2007) "For those who want to take behaviouralism a step further, and to study the science of the brain - a subject that tells us a lot about ourselves, as well as about how we might just make some more money ... " --(Financial Times, December 2007)

From the Inside FlapThe human brain is wired to make decisions in certain ways. Unfortunately, when it comes to the financial markets, the way we've been "wired" is not conducive to making money. Nobody knows this better than author Richard Peterson. As a founder of Market Psychology Consulting, a former trader, a developer of psychology-based trading systems, and an investor coach, Peterson understands firsthand how subconscious mistakes (biases) can sabotage the financial decision-making of market participants. Now, with *Inside the Investor's Brain*, Peterson wants to share his invaluable experiences in this field with you. Backed by recent research in neurofinance; the study and application of neuroscience to investment activity; psychology, and experimental finance, this detailed guide explains the fundamental "hardwired" mistakes made by most investors and reveals the simple steps you can take to overcome these obstacles and improve your financial decision-making skills. After an introduction that illustrates some of the most basic and prevalent investor biases; through the well-documented stories of Long Term Capital Management, Sir Isaac Newton and the South Seas bubble, and Mark Twain and the 1860s silver fever; *Inside the Investor's Brain* moves on to: Part One: The Intersection of Mind and Money describes basic brain function and how it is unsuited to modern financial market dynamics Part Two: Feelings and Finance explains emotional states, their chemical basis, how they alter our financial judgments, and optimal investor personality characteristics Part Three: Thinking about Money examines the common thought-traps of investment analysis. Here, misperceptions in the evaluation of financial opportunity and risk are discussed Part Four: In Practice offers advice for managing your mind in the financial markets and suggestions on the use of psychology-based investment strategies Most chapters also contain engaging real-world examples, whose lessons will help you identify subconscious biases; understand when thinking will improve your investment process (and when it won't); improve your emotional intelligence; and focus on the decision process, not the outcome. While good investing requires a basic financial education, in order to really excel in this environment, you've got to learn how to manage yourself. With *Inside the Investor's Brain* as your guide, you'll quickly discover how becoming familiar with both the terrain of the markets and the topography of your mind can enhance the profitability of your overall investment endeavors.

From the Back CoverPraise for *Inside the Investor's Brain* "Richard Peterson has distilled his own first-hand experience as a psychiatrist in Silicon Valley and has used his knowledge of behavioral finance to describe the emotional qualities necessary to be a good investor. Not only is this a fascinating book for everyone, it may also be the most profitable book you ever read." —George Akerlof Nobel Laureate in Economics, 2001 "Peterson's angle is unique, provocative, and insightful. From the Galvanic Skin Response to the ritualized emotional catharsis of Star Trek's Vulcans, *Inside the Investor's Brain* 'gets it.' It is a readable synthesis of the characteristics of outstanding investors. It normalizes the maladjustment so common in the arcane world of high-performance investing. The only quote missing is that of General George S. Patton: 'If everybody is thinking alike, then somebody isn't thinking.'" —Carlo Cannell Managing Member, Cannell Capital LLC "Richard Peterson has captured a fundamentally new and important way to understand financial markets and our behavior in them. This book is a must-read for both professional and personal investors." —Paul J. Zak, PhD Director, Center for Neuroeconomics Studies "Readers of this fascinating book will learn a lot about both behavioral finance and neurology. Understanding how the brain works provides insights into how to improve decisions by influencing the underlying psychological processes. Readers will come away with a resource to help them to make sense of the exciting future advances to come." —Hersh Shefrin Mario L. Belotti Professor of Finance, Santa Clara University and author of *Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing* "If you have a brain, money, and any curiosity about how each affects the other, then you should read this book." —David Leinweber Financial Technologist Nerd on Wall Street