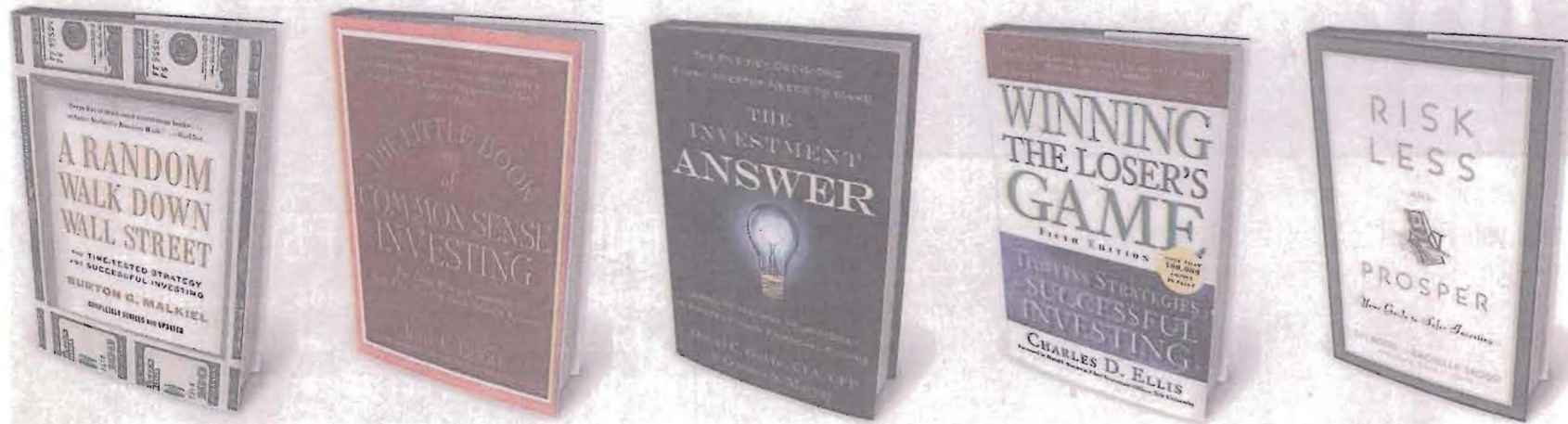


Financial Literacy 101: Where to Begin

We asked the experts to recommend the best books for an investing novice. Here are five of them.



By ANDREA COOMBES

U.S. savers have some \$10 trillion sitting in IRAs, 401(k)s and similar retirement plans. But how much do they really know about investing? When Americans are tested on their financial literacy, the results are troubling, at best.

Educational standards are starting to improve, with more states requiring personal-finance and economics courses for K-12 students. But if you graduated from high school a decade or three ago, where can you go for investing 101?

We spoke to financial advisers, mutual-fund experts and academics to get their take on the best books and other resources for people who want to learn the investing basics. Many worthy resources aren't included here; consider this a starting point.

A Random Walk Down Wall Street | Burton Malkiel

Talk to 10 money experts and you're likely to hear 10 recommendations for Burton Malkiel's classic investing book, now in its 10th edition.

Mr. Malkiel, an investment manager and Princeton University econ-

omist, offers an easy-to-read yet comprehensive guide to markets and investing, including topics like why bubbles form and how to think about life-cycle investing.

This book is "a good introduction to the way markets and investing work," says Russel Kinnel, director of fund research at investment researcher Morningstar Inc. Plus, it "provides a little healthy skepticism, which can serve investors well."

Dave Zier, chief executive of Convergent Wealth Advisors, has this as one of three books on his must-read list, along with "The Investor's Manifesto" by investment manager William Bernstein and "Unconventional Success" by David Swensen, manager of the \$19 billion Yale University endowment. "All three of these books are really good for new investors," Mr. Zier says.

The Little Book of Common Sense Investing | John Bogle

The best books for new investors tend to be those that advocate index investing—it's simple to dive in, and costs generally are low. Who better to read on that topic than the man who created index funds for mass consumption, John Bogle, founder of Vanguard Group?

This short but thorough introduction offers advice that is "simple and

straight to the point," says Sheryl Garrett, founder of Garrett Planning Network, a group of fee-only financial planners. Also on Ms. Garrett's must-read list: investing legend Benjamin Graham's "The Intelligent Investor."

Seeking insights into active investing? Morningstar's Mr. Kinnel suggests Warren Buffett's annual letters to shareholders, at BerkshireHathaway.com.

The Investment Answer | Daniel Goldie and Gordon Murray

Gordon Murray was a former Wall Street veteran who, after a diagnosis of brain cancer, teamed up with his financial adviser, Daniel Goldie, to write a simple guide to investing, detailing five key decisions for investors to make. Mr. Murray died in 2011.

"I don't think you can get a better unbiased approach. The guy has nothing to gain other than to give his last and best advice," says Steve Lockshin, founder and chairman of Convergent Wealth Advisors.

Winning the Loser's Game | Charles Ellis

When you buy and sell stocks, you're competing against institutional investors who not only control the market, they "are the market,"

writes Charles Ellis in his book, "Winning the Loser's Game," which grew out of an influential article he wrote for the Financial Analysts Journal in 1975, "The Loser's Game."

Mr. Ellis is another fan of indexing. After reading his account of how difficult it is to beat the markets, you may agree. "It's just a really good overview of the reality of the investment world," says Harold Evensky, president of money-management firm Evensky & Katz in Miami. For a deeper dive into how to divvy up your money, Mr. Evensky recommends investment manager Roger Gibson's "Asset Allocation."

Risk Less and Prosper | Zvi Bodie and Rachele Taggu

With its focus on goal-based investing, this book offers concrete steps to help beginning investors detail their specific needs and wants for the future, and to invest based on those goals.

Zvi Bodie, a management professor at Boston University, advises investors to take on risk only with money they can afford to lose. For the rest, he recommends specific inflation-indexed government bonds.

"Stocks can be a winning strategy, but they can also bring tragedy, and Bodie carefully sets out the risks and rewards of the alternatives," says

Dallas Salisbury, chief executive of the Employee Benefit Research Institute, a nonprofit think tank.

Online Guides

Websites can complement the information gleaned from books, says Annamaria Lusardi, academic director of George Washington University's Global Center for Financial Literacy. Try the U.S. Treasury's MyMoney.gov for a wide range of basic money tips. For investing, Ms. Lusardi suggests the Securities and Exchange Commission's Investor.gov.

Sandi Bragar, director of planning for money-management firm Aspiriant, says the nonprofit website KhanAcademy.org offers video guides on a number of investing topics, including "Bonds vs. Stocks" and "Introduction to the Price-to-Earnings Ratio."

The Federal Reserve Bank of St. Louis offers podcasts and videos on a variety of topics at StLouisFed.org, including opportunity cost and how the Federal Reserve system works. (Click on "education resources," then "consumers.")

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