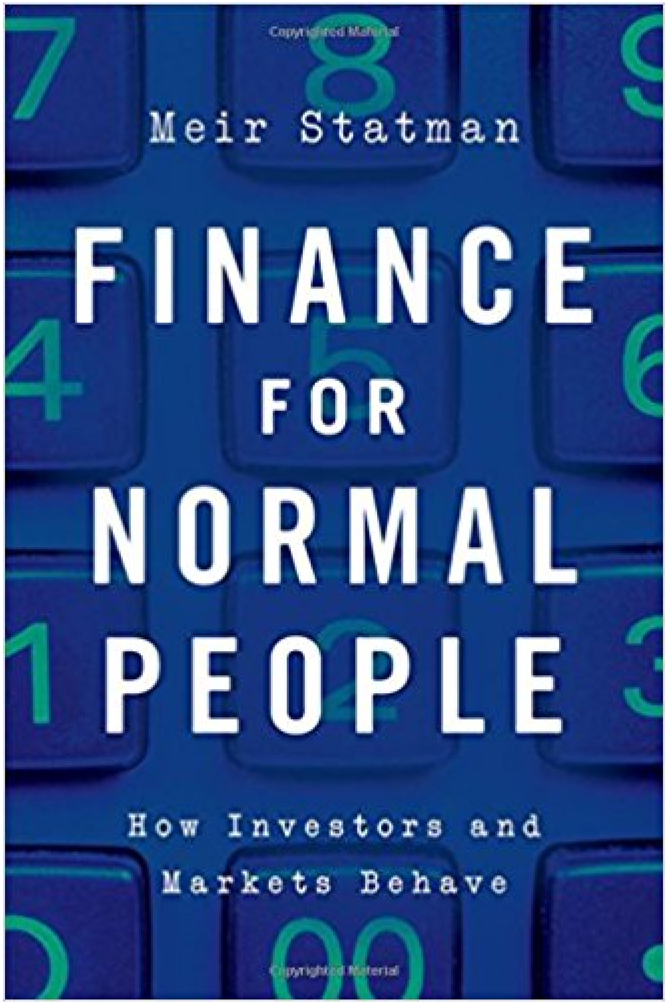
Finance For Normal People: How Investors And Markets Behave



Synopsis

Finance for Normal People teaches behavioral finance to people like you and me - normal people, neither rational nor irrational. We are consumers, savers, investors, and managers - corporate managers, money managers, financial advisers, and all other financial professionals. The book guides us to know our wants-including hope for riches, protection from poverty, caring for family, sincere social responsibility and high social status. It teaches financial facts and human behavior, including making cognitive and emotional shortcuts and avoiding cognitive and emotional errors such as overconfidence, hindsight, exaggerated fear, and unrealistic hope. And it guides us to banish ignorance, gain knowledge, and increase the ratio of smart to foolish behavior on our way to what we want.These lessons of behavioral finance draw on what we know about us-normal people-including our wants, cognition, and emotions. And they draw on the roles of these factors in saving and spending, portfolio construction, returns we can expect from our investments, and whether we can hope to beat the market. Meir Statman, a founder of behavioral finance, draws on his extensive research and the research of many others to build a unified structure of behavioral finance. Its foundation blocks include normal behavior, behavioral portfolio theory, behavioral life-cycle theory, behavioral asset pricing theory, and behavioral market efficiency.

Book Information

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Customer Reviews

"As Pogo used to say: 'We have met the enemy and we are it.' By elucidating clearly the teachings of behavioral finance, Meir Statman shows us how to avoid the common errors investors make and how to become smarter investors." - Burton G. Malkiel, author of A Random Walk Down Wall Street, 11th ed. Paper, 2016 "Meir Statman describes investors as normal in this insightful book, not irrational as in earlier behavioral finance, and not rational wealth-maximizing caricatures as in typical textbooks. Normal investors underlie Statman's innovative approach to portfolios, saving and spending, asset pricing, and market efficiency." - Harry Markowitz, Winner, Nobel Prize in Economics, and Professor of Finance at the Rady School of Management "Meir Statman, a leading light of behavioral finance, describes lucidly and vividly the cognitive and emotional errors underlying the maxim 'If you don't know who you are, the stock market is an expensive place to find out.' Readers of this behaviorally savvy book will be well prepared to avoid those errors." - Paul Slovic, Professor of Psychology, University of Oregon, and author of The Perception of Risk"One of the pioneers of behavioral finance, Meir Statman has done a great service for investors, portfolio managers, and financial regulators with this insightful volume. If you've ever wondered why you sold too early or why you got in too late, you need to read this book!" - Andrew Lo, Charles E. and Susan T. Harris Professor of Finance, MIT Sloan School of Management "Yes, to be successful, we need to make good investments, but then we need to be good investors, exhibiting the virtues of simplicity, broad diversification, and low investment costs, and focusing on the long term. This fine book is welcome help." - John C. Bogle, founder of Vanguard and the first index mutual fund "Finance for Normal People shows that self-knowledge is the most valuable investment skill of all. Meir Statman - one of the founders of Behavioral Finance - uses fascinating new research about market imperfections and the psychology of decision-making to navigate normal people through the complexities of investing. The evidence is compelling and the writing is lucid." - William N. Goetzmann, Edwin J. Beineke Professor of Finance and Management Studies, Yale School of Management "Meir Statman has pioneered the integration of behavioral research with financial analysis. Finance for Normal People makes the insights of behavioral finance available to the ordinary investors, helping them to understand markets - and themselves." - Baruch Fischhoff, Howard Heinz University Professor, Carnegie Mellon University, and co-author of Risk - A Very Short Introduction"Standard finance theory assumes that investors and traders are rational super-computers, able to take into account all available information and process it logically. But, investors are normal, with normal wants and normal susceptibility to cognitive and emotional errors. Professor Statman has written an excellent guide to how finance actually works in practice-not just in theory. Yet, despite Statman's real-world approach, his book remains rigorous and evidenced by the very best research." - Alex Edmans, Professor of Finance at London Business School "Behavioral finance pioneer Meir Statman describes normal people who care about investment profits but also about how investments make them look and feel. Normal people strive to reach many investment goals- retirement, education, travel-taking different risks for different goals. Discover how stocks may be mispriced, but the index hard to beat. Learn how to create a portfolio that meets your goals." - Terrance Odean, Rudd Family Foundation Professor of Finance, Haas School of Business, University of California, Berkeley "Insights into goals-based wealth management are some of the many insights in Meir Statman's superb book. Normal investors want financial benefits from their investment but they also want expressive and emotional benefits on the way to their life goals. This book should be on the must-read list of investors and financial advisors alike." - Jean Brunel, editor of the Journal of Wealth Management and author of Goals-Based Wealth Management "Finance for Normal People is a tour de force. Literally covering the field of Behavioral Finance from A to Z, this is a user friendly book that should be read and on the shelf of every serious financial advisor/manager and all serious investors." - Harold Evensky, Chairman at Evensky & Katz and Professor of Practice, Department of Personal Financial Planning, Texas Tech University

Finance for Normal People: HowInvestors and Markets BehaveOxford University Press, 2017Ã Â My book, Financefor Normal People, has just been published by Oxford University Press and isavailable from and other booksellers. I have also prepared student and instructormanuals, facilitating the use of the book as a textbook. I would be pleased toprovide them.I write in the introduction:Behavioralfinance presented here is a second generation behavioral finance. The firstgeneration, starting in the early 1980s, largely accepted standard finance'snotion of people's wants as "rational" wants - restricted to the utilitarianbenefits of high returns and low risk. That first generation commonly describedpeople as "irrational" - succumbing to cognitive and emotional errors andmisled on their way to their rational wants. Thesecond generation describes people as normal. It begins by acknowledging thefull range of people's normal wants and their benefits - utilitarian,expressive and emotional - distinguishes normal wants from errors, and offersguidance on using shortcuts and avoiding errors on the way to satisfying normalwants. People's normal wants, even more than their cognitive and emotionalshortcuts and errors, underlie answers to important questions of finance,including saving and spending, portfolio construction, asset pricing, andmarket efficiency. These are presented in this book.Wewant more from our investments than the utilitarian benefits of wealth. We wantthe expressive and emotional benefits of hope for riches and freedom from thefear of poverty, nurturing our children and families, being true to our values,gaining high social status, playing games and winning, and more.Iwrite further:Weoften hear that behavioral finance is nothing more than a collection of storiesabout irrational people misled by cognitive and emotional errors, that it lacksthe unified structure of standard finance. Yet today's standard finance is nolonger unified because wide cracks have opened between its theory and theevidence. This book offers behavioral finance as a unified structure thatincorporates parts of standard finance, replaces others, and includes bridgesbetween theory, evidence, and practice.Table of ContentsIntroduction: What is Behavioral Finance?Part1: Behavioral People are Normal PeopleÃ Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Chapter 1: Normal people Chapter 2: Our wants for utilitarian, expressive, and emotionalbenefitsChapter 3: Cognitive shortcuts and errorsÃ Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Chapter 4: Emotional shortcuts anderrors Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Ã Â Chapter 5: Correcting cognitive andemotional errorsChapter 6:Experienced happiness, life-evaluation, and choices: Expected Utility Theoryand Prospect Theory Chapter 7: BehavioralFinance Puzzles: The dividend puzzle, the disposition puzzle, and the puzzlesof dollar-cost-averaging and time-diversificationÃ Â Part2: Behavioral Finance in Portfolios, Life-Cycles, Asset Prices, and MarketEfficiencyChapter 8: Behavioral portfolios Chapter 9: Behavioral life-cycle of saving and spendingChapter 10: Behavioralasset pricing Chapter 11: Behavioralefficient markets Chapter 12: Lessons of behavioralfinanceÃ Â Ã Â Ã Â

Dr. Meir Statman is one of the fathers of "behavioral finance." He has pioneered and developed the field of behavioral finance during the past three decades. "Finance for Normal People" is the latest book of Dr. Statman that presents a comprehensive introduction about the current state of "behavioral finance." It is written in plain English and very easy to follow. The text comes with many real world examples to deliver the concepts to readers even without a strong background in finance. Part one of the book helps readers to understand the wants and constraints of normal investors and Part two introduces behavioral portfolio theory, behavioral life cycle theory, and behavioral asset pricing. I covered a number of chapters in my behavioral finance course for MasterÃƒÂ¢Ã â ¬Ã â„¢s students and have received overwhelmingly positive feedback from students regarding the usefulness of the book. Many students commented that the knowledge they learned from the book is useful for daily life decisions about and beyond personal finance and investing. The book is accompanied with an instructor manual and a student manual, both of which contain many interesting materials and websites that are current and relevant. Regardless of whether you are looking for a casual reading about behavioral finance or a formal understanding of the field, this book is a great starting point. I would recommend it to anyone who is interested in understanding herself as a human who wishes to make better financial decisions under cognitive and emotional constraints. College educators who wish to use a good behavioral finance book should also consider this book seriously.

Admittedly my expectations were high for this book. I was expecting a work on par with the 'Millionaire Next Door'. What I got with a series of chapters that read like college lectures for a beginning economics course. Extremely disappointing. The content is mostly rather obvious explanations of human behavior. There are virtually no fresh insights nor information to actually help the targeted 'normal people'. If you're looking for something useful on 'finance for normal people', look elsewhere, for there is nothing new here.

Finance for Normal People provides an incredibly detailed analysis of the biases and tendencies of the average investor. Given many of these tendencies are based on an individual's make up regarding risk taking, often there is a large "sub conscience" aspect to investing. The second half of the book focuses on how to avoid traps or pitfalls, but moreover helps an investor "work with" your own biases in order to achieve goals. I found myself reading a chapter, then trying to self-evaluate my own thinking when I make investment choices. The material is good at making the reader focus on being self reflective. I would recommend this academically and practically focused book to anyone trying to understand behavioral aspects of personal investing. Jon Olson, retired CFO, Xilinx, Inc.

Understanding money & finances is tough enough & then along comes Professor Meir Statman to render what can be difficult & confusing information into perfectly understandable chucks of knowledge to help you navigate your financial life! Thank you, Professor for helping the world get smarter about money!!

This book is really good at explaining the different part of standard finance and behavioral finance in many points, the book starts from the most basic terms of behavioral finance, and give you a deep understanding on behavioral investors and rational investors. People are not always rational in their life, sometimes we are likely to subject a lot emotional errors or cognitive errors caused by different thinking systems. professor Statman will show readers the reasoning behind the correct and bad decision investors are likely to make in investment. the book also gives reader massive examples to better understanding the materials. Anyway! I think it is really a good introduction for people who is new to behavioral finance.

This book is a very interesting and in-depth read that delves into the world of behavioral finance. Behavioral finance offers new ways to analyze markets the traditional view. Statman does a good job of explaining complicated topics covered in the book to inexperienced readers. I highly recommend this book to anyone looking for an production into this field. In addition, this book makes an excellent textbook for professors looking to cover this topic in their class. Overall this book is definitively worth reading!

Finance for normal people means after reading this book, you will get ideas about how do deal with those questions normal people facing in their normal life, and the best thing I found in this book is, I have the feeling I totally know why I'm gonna do it when I make those financial decisions. It's also a supplement for psychology on understanding decisions, psychology study mainly quick thinking, and behaviral finance explain what people will do after some analysis.

Meir Statman has written an important book that helps readers understand the importance of their emotional relationship to money and investing. After spending more than 30-years in financial services, Finance for Normal People conveyed understanding and insight about patterns and behaviors that I was simply blind to. IÃƒÂ¢Ã â ¬Ã â„¢m now far more confident about my own investing decisions.

Finance for Normal People: How Investors and Markets Behave Investors and Markets: Portfolio Choices, Asset Prices, and Investment Advice (Princeton Lectures in Finance) The Islamic Finance Handbook: A Practitioner's Guide to the Global Markets (Wiley Finance) Obstetrics: Normal and Problem Pregnancies, 7e (Obstetrics Normal and Problem Preqnancies) Obstetrics: Normal and Problem Pregnancies E-Book (Obstetrics Normal and Problem Preqnancies) Obstetrics: Normal and Problem Pregnancies, 6e (Obstetrics Normal and Problem Preqnancies) Personal Finance: Budgeting and Saving Money (FREE Bonuses Included) (Finance, Personal Finance, Budget, Budgeting, Budgeting Money, Save Money, Saving Money, Money) White People Do Not Know How to Behave at Entertainments Designed for Ladies and Gentlemen of Colour: William Brown's African and American Theater Equity Crowdfunding for Investors: A Guide to Risks, Returns, Regulations, Funding Portals, Due Diligence, and Deal Terms (Wiley Finance) Deep Value: Why Activist Investors and Other Contrarians Battle for Control of Losing Corporations (Wiley Finance) The Bond Book, Third Edition: Everything Investors Need to Know About Treasuries, Municipals, GNMAs, Corporates, Zeros, Bond Funds, Money Market Funds, and More (Professional Finance & Investment) Study Guide for The Economics of Money, Banking, and Financial Markets and The Economics of Money, Banking, and Financial Markets Business School Edition Understanding Bond Markets: Guide to the innerworkings of today's Debt Securities Markets Step by Step Emerging Markets Investing: A Beginner's Guide to the Best Investments in Emerging Markets Stocks (Step by Step Investing Book 4) Step by Step Emerging Markets Investing: A Beginner's Guide to the Best Investments in Emerging Markets Itsy Bitsy Yoga for Toddlers and Preschoolers: 8-Minute Routines to Help Your Child Grow Smarter, Be Happier, and Behave Better Behave: The Biology of Humans at Our Best and Worst Gifts of the Crow: How Perception, Emotion, and Thought Allow Smart Birds to Behave Like Humans 50 Things Every Young Lady Should Know: What to Do, What to Say, and How to Behave Visiting a Thai Temple: What to expect, how to behave, and how to get the most out of a visit to a temple in Thailand (Last Baht Guide Book 3)