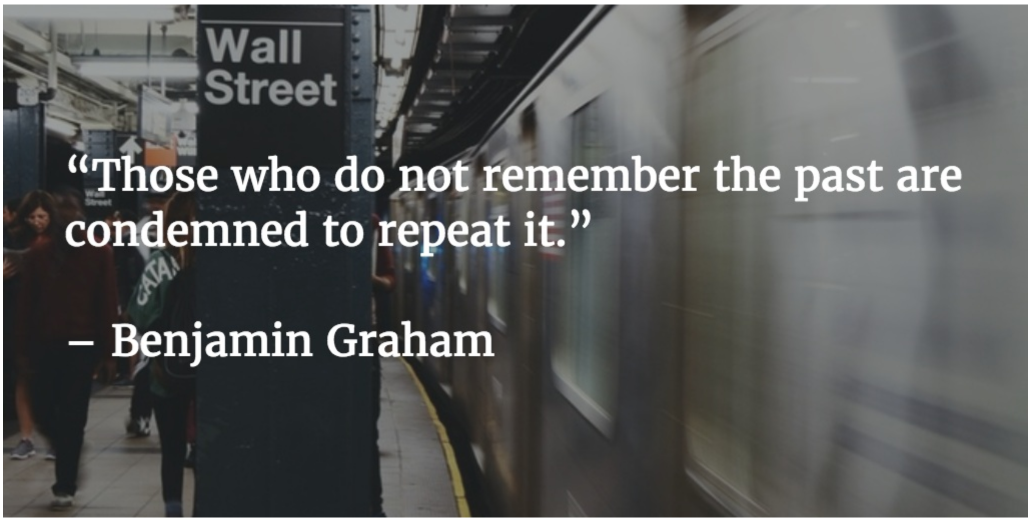
The Intelligent Investor Summary

1-Sentence-Summary: *The Intelligent Investor teaches famous investor Benjamin Graham's value investing approach to aspiring investors to help them generate steady profits in the long-term by ignoring the market and focusing on intrinsic value in the companies they invest in.*

Read in: 4 minutes

Favorite quote from the author:



Benjamin Graham would easily be the most famous investor of the 20th century, if it weren't for his student – Warren Buffett – likely the only person to surpass him in investing brilliance.

Coming from poverty he became an excellent student at Columbia and upon graduation started his investing career with a job on Wall Street. He wrote down his investing principles in 1949 inside *The Intelligent Investor*, which Warren Buffett calls the best book on investing ever written.

Here are 3 key lessons from Graham's book, to help you start investing:

1. There are 3 principles to intelligent investing.
2. Never trust Mr. Market.
3. Stick to a strict formula, and you'll do fine.

Ready to become an intelligent investor? Let's get going!

Lesson 1: There are 3 principles to intelligent investing.

Often also called value investing, intelligent investing according to Benjamin Graham rests on 3 principles.

1. An intelligent investor always analyzes the long-term evolution and management

principles of a company before investing.
2. An intelligent investor always protects him- or herself from losses by diversifying investments.
3. An intelligent investor never looks for crazy profits, but focuses on safe and steady returns.

A famous quote by Warren Buffet is about his 2 rules for investing.

Rule No. 1: Never lose money.

Rule No. 2: Never forget Rule No. 1.

That's exactly what intelligent investing is. **Nobody can predict the next Facebook, but everyone can protect themselves against losses.**

By doing a thorough analysis, intelligent investors find stocks with a gap between their current price and the intrinsic value the company holds and will eventually unlock. This is based on the evidence collected from looking at the company's history and their management values.

The intelligent investor invests in a few of those companies, in order to not lose everything when things go wrong and then sits back, being perfectly happy with collecting 10%, 12% or even 15% a year in returns.

Oh and she does one other thing.

Lesson 2: Never trust Mr. Market.

Graham's most famous analogy is the one of Mr. Market, where he pictures the entire stock market as a single person.

If you imagine Mr. Market showing up on your doorstep every day, quoting you different prices for various stocks, what would you do?

According to Benjamin Graham, you'd be best off ignoring him altogether, day in and day out. Sometimes the prices he'd tell you would seem suspiciously cheap, sometimes astronomically high.

That's because **Mr. Market is not very clever, totally unpredictable and suffers from serious mood swings.**

For example about a month before a new iPhone is released, stocks rally while people cue in line in front of the Apple store. But when the new phone is not exactly as expected, stocks can plummet the very next day.

As humans we're so good at recognizing patterns, that we're trying to find them even where none exist. That's why we naturally a stock price that's been going up for 10 days must go up further – which is of course not true.

If you want to be an intelligent investor, rely on your own research and ignore the market altogether.

Lesson 3: Always stick to a strict formula and you'll do fine.

Lastly, to further remove you from the emotional stress of investing with the market, you should always stick to a strict formula when investing.

Graham calls it *formula investing*, but it's more widely known as dollar cost averaging.

What it means is that you simply **set a fixed budget you're going to invest every month or quarter**, and then invest that into the stocks you've previously picked –**no matter the price**.

For example, I invest 10% of my income every month. That money goes to my investment account on autopilot and then I invest it in the stocks I already own.

This is somewhat emotionally demanding, because it requires you to invest the same amount again and again – no more when stocks are cheaper, no less when stocks are expensive.

But once you get over it, it's a great way to protect yourself against losses, which could happen if you invest a big sum right before a crash.

My personal take-aways

I could listen to Warren Buffett's talks all day – the man is brilliant. He tells great stories about Graham, and it's a wonderful way to learn more about this investing approach.

Value investing is very defensive, but if it's worked for the richest man on earth, why not for you? It takes away the stress of day trading and is hassle-free, once you get into the right mindset.

This is a more advanced book than *I Will Teach You To Be Rich*, *Rich Dad Poor Dad*, or *Money Master The Game*, but the blinks make it really easy to understand. I have yet to read the book, but I'm already looking forward to reading *The Intelligent Investor*.

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Learn more about the author

What else can you learn from the blinks?

- What makes intelligent investing different from speculating
- Why you need a margin of safety with every stock you by
- The most important area you must understand before starting to value invest (it's not politics)
- What makes a defensive investor different from an enterprise investor
- Exact portfolio allocations to get started with
- How to adjust your portfolio
- The percentage enterprise investors should spend on risky investments

- How Yahoo made the deal of the decade by following the intelligent investor approach
- A way to try yourself at investing completely risk-free

Who would I recommend The Intelligent Investor summary to?

The 15 year old, who wants to learn more about stocks and start practicing, the 46 year old, who’s lost a few sums here and there when experimenting with different stocks and options, but has never consistently stuck with great companies, and anyone who likes Warren Buffett.