



Book A Gift to My Children

A Father's Lessons for Life and Investing

Jim Rogers
Random House, 2009

Recommendation

This short bestseller by Jim Rogers, one of the world's most renowned investors, is in the form of a letter offering personal guidance and investment advice to his two young daughters. Rogers co-founded the Quantum Fund with his partner, George Soros, and established a reputation as an authority on economics, investing and markets. In his 60s, he married for the second time and became a father. In this book – written in first person from “your father” with a slight, sweet undertone of talking down to the children's level – he tells his daughters many anecdotes about his experiences to illustrate old-fashioned nuggets of fatherly guidance. He recommends saving money, cultivating good habits, working hard, studying and thinking about the future. *BooksInShort* suggests this book to anyone – including those two fortunate little girls – who would welcome a few paternal life-lessons, some good inside-business stories and a side dish of investment advice.

Take-Aways

- Investment master Jim Rogers offers life lessons and financial counsel to his two daughters. His advice includes:
- Think for yourself; listen to others, but make up your own mind.
- Do work you love. Stay busy. Save your money. Do your homework.
- Pay attention to details.
- See the world – don't just read about it.
- Study the history of a place before you travel to it. Travel to it before you invest in it.
- Study other languages, especially Mandarin Chinese.
- Only invest in things you really understand. Don't run with the herd.
- Don't rely on conventional wisdom or the media. Trust your research and observations.
- Know yourself and learn from your mistakes.

Summary

The Back Story

Jim Rogers grew up in the little town of Demopolis, Alabama. At age six, in 1948, he started a peanut parching business. Thanks to a loan from his father, Rogers was able to invest \$100 in a peanut parching machine, so that he could sell dried peanuts at Little League games. He worked hard and hired his friends. In five years, he repaid the loan from his father and had another \$100 in the bank.

“Your father is an investor, a man who worked hard to learn all that he could to earn enough money to retire early, and, as a result, was able to do so at the age of 37.”

As a young man, Rogers worked in his uncle's store, selling sandwiches and tobacco to workers from the nearby factory and stockyard. He worked so diligently that his uncle gave him a raise without Rogers requesting it. Later, he got a job with a construction contractor and always tried to stay busy. When Rogers lacked any immediate task, he would sweep. His work was so impressive that the contractor taught him skilled construction work, such as carpentry and roofing.

“If people around you try to discourage you from taking a certain course of action, or ridicule your ideas, take that as a positive sign.”

Rogers attended Yale on scholarship and then went to Oxford University, where he set his first Guinness record (in rowing). He eventually entered the field of money management. At age 30, he and his business partner, George Soros, co-founded the Quantum Fund. Rogers retired at age 37 and decided that now he could pursue his dreams. He traveled around the world on a 100,000-mile motorcycle trip and, again, on a 152,000-mile trip by car, earning two more Guinness records. He also lectured in finance, managed his own portfolio and remarried in his 60s after an unsuccessful earlier marriage. He and his wife now live in Singapore. Rogers wrote this book for their two young daughters.

Think for Yourself in Life and in Investing

Many people will try to tell you what you should do. Listen to them, but live your own life and make your own decisions. Very often, what people tell you is neither wise nor useful. Rogers learned this lesson by mistakenly trusting other people's opinions instead of doing his homework and making up his own mind. He assumed that older, more prominent people probably had better ideas. He made some investments guided by those opinions and they did not perform well. So he decided to trust his own judgment. He found that people often scoff at unorthodox ideas. When Rogers was in his early 30s, he was invited to an important dinner with some big Wall Street investors. When they went around the table so each person could recommend a stock, he cited a struggling aerospace company, Lockheed. One investor sneered, but Lockheed – which was emerging from bad times – turned out to be a very good investment.

“Try as many things as you can, then pursue the one (or two, or three) about which you're passionate.”

Conventional wisdom is often called common sense, but you can't rely on it. When Rogers invested in Lockheed in the 1970s, most people weren't buying defense stocks because the American government was cutting back on defense spending. Common sense said Lockheed was a bad investment. However, Rogers could see that the Vietnam War had sapped America's military strength, which it would have to rebuild. And, indeed, the government reinvested in defense after the Arab-Israeli War broke out in 1973. Similarly, oil was cheap in 1970 – less than three dollars a barrel. Common sense said that low oil prices would continue, but Rogers did his own research and saw that demand was rising faster than supply. In 1971, he invested in oil – and he made a lot of money as oil prices shot up. In 1978, with oil prices high, many others started to invest in oil. Rogers kept on top of the details and sold his oil investments. Prices subsequently collapsed.

“While you need not concern yourself with conventional wisdom and other so-called established notions, you must respect and follow the rules, laws and ethical practices without which society cannot exist.”

In the 1980s, Rogers decided it was important to learn about China so he could decide whether to invest there, though some of his friends thought it was foolish. Rogers traveled throughout China by car, and observed that the people were entrepreneurial and hardworking. They saved, on average, “one-third of their annual income.” He felt they were beginning to shake off communism and to reach out to the modern business world, given the popularity of learning English or Japanese. Having done his own research, he was convinced that China would grow – and he was right.

“You should read the newspaper every day, but approach it – and all media, for that matter – with a healthy dose of skepticism.”

The 1990s technology stock bubble came about in large part because conventional wisdom accepted the notion of a New Economy. Something similar happened in Japan during the 1980s, when people thought the Japanese market could only go up. Then, after stagnating through the '90s, Japan's economy started to do better. However, people had gotten so accustomed to the Japanese market being depressed that they could not accept the possibility of it improving. People who bought Japanese stocks by 2003 did very well because market values went up 100% afterward.

“Travel and see the world extensively. You will broaden your perspective many times over.”

In business, paying attention to the little things is always important; no detail is so small that you can afford to ignore it. For example, in the 1960s, an analyst told the board of General Motors that the company should prepare for competition from the Japanese. The analyst had been watching details that other investors ignored. The board brushed him off, but people who bought stock in Toyota did much better than people who bought stock in General Motors. Similarly, in the 1990s, many people bought Sears stock, but those who were really paying attention to the details were buying Wal-Mart instead. Sometimes the only way you can get the details is to go to the source. Roger's motorcycle trips to such countries as Algeria brought him face to face with specific economic situations, and helped guide his decisions to invest – or not to invest.

“Difficult economic times often give birth to dangerous policies, and may again.”

Most people pay a lot of attention to bull markets, and not enough attention to the bearish side. Rogers always thinks of the bearish side. In 1998, when commodities were down, he launched the Rogers International Commodity Index. It quadrupled. In comparison, the S&P 500 went up 40%.

Pay Attention to the Rest of the World

Travel the world because that's the only way you can really learn what is happening. Try new things and get off the beaten path. Don't be a tourist and don't fear people in other countries. Human beings are “basically the same” everywhere, no matter what they wear or what language they speak. When you travel, you learn about the world, but you also learn about yourself.

“To be a successful investor, you really need to understand psychology as well as history and philosophy.”

Nowadays, business is buzzing about Brazil, Russia, India and China. Based on his travels, Rogers thinks:

- Brazil will become a better investment over the next decade and a half, in part because sugar is an important ingredient in ethanol and Brazil is a big exporter of sugar. However, Rogers is not excited about Brazil's currency or stock market.
- In 1990, Rogers rode his motorcycle through the Soviet Union, and it was clear to him that communism was collapsing. Indeed, the USSR fell apart only two

years later. Russia today is fractious and deteriorating. The Russian mafia has too much power. Russia is not progressing like China, and Rogers isn't investing there.

- India is a mess. Its national highway is a potholed, traffic-clogged nightmare. Privatization has not made progress and India seems to take “one step backward for every step forward.” But if India can change, “it could be a great opportunity.”
- China is an exciting place, and will become more and more important

“You must know yourself if you want to accomplish anything in life.”

Learn other languages so that you will be able to speak with people in other countries. Today, Mandarin Chinese is one of the most important languages in the world, since China will be the most dominant economic power in the next century. However, not every investment there will win, and progress will be interrupted. China eventually will have a “hard landing” because its economy is overheating, with overinvestment in some industries and inflation in real estate. When you read about China's hard landing, prepare to invest – it will be an opportunity. In 1999, Rogers stopped buying stock in China, but he invested there again in 2005, 2006 and 2008. China's booming economy also will cause a boom in commodity prices.

“Be extremely careful – even reluctant – before marrying.”

When you make your own investment decisions, look for markets where no one else thinks there are any opportunities. The more people avoid something, the better the opportunities are likely to be. The converse is also true – the more people think something is a sure thing, the less likely it is to be profitable. As an investor, never bet on the past. Follow the news and always ask yourself what current events mean for the future. For instance, recent events and societal signals indicate that women are going to become more powerful, especially in Asia. In part because there are so many more men than women in China and South Korea, girls will be able to call the tune. And, in the coming years, many countries may break apart. Iraq, for example, will probably split into several countries, with religion playing a big role in how its borders are drawn.

Learn History and Philosophy

Study history to learn how the world works, and how political events affect commodity and stock prices. Remember that winners write history, so read more than one version of events. The old saying that “history repeats itself” is true, at least when it comes to many economic events. The Internet revolution has a lot in common with previous revolutions, such as railroads and radio.

“I'm lucky to have your mother, who shares the same attitude toward personal finances.”

Study philosophy, but don't get bogged down in “complex logic.” Philosophy focuses on paying careful attention to facts and then drawing your own conclusions. First, look at data. For example, bull stock markets and bull commodity markets alternate in cycles that last roughly one and a half to two and a half decades. The present bull market in commodities started in 1999, so it could “run until sometime between 2014 and 2022.” That thinking is based on observation or induction. Thinking based on logic, or deduction, is different. For example, Kellogg's makes cereal, which takes grain. When the price of grain goes up, Kellogg's makes less profit and its stock drops. This seesaw is one reason why bull markets don't occur in stocks and commodities at the same time.

“Never act upon wishful thinking.”

Read the newspapers and pay attention to other media, but be skeptical. Much of what you read will be just conventional wisdom. Do your own research. As General George Patton said, “If everyone is thinking the same thing, someone is not thinking.” It is okay to stand apart from the crowd.

Advice about Work and Life

When Rogers learned that he really enjoyed investing, he pursued it as a career. He believes he wouldn't have had the kind of success he has attained in any other field. He just doesn't enjoy anything else as much. He feels that one of the worst things you can do is to grind away at a job you dislike. If you like to garden, cook or dance, think about opening a garden store, restaurant or dance studio. If you like your work, you will be happy, and that's something money can't buy. Also remember this advice:

- **Be truthful and ethical** – Always obey the law. It's the right thing to do and “honest people don't get entangled in legal problems.”
- **Check the facts** – Don't let wishful thinking guide you.
- **Save your money** – Even if your friends spend on high living, expensive clothes, impressive vacations and other indulgences, you should save. Before you spend money on anything, ask whether it's worth the price. Rogers recalls his first wife, who was inclined to spend when he was inclined to save, and says that marriage didn't go well. He praises his present wife, who shares his yen to save.
- **Know your strengths and your weak points** – Everyone makes mistakes, but you should recognize your errors and learn from them.
- **Don't be afraid of change** – Welcome it. Investors who pay attention to change can do very well. Do not buy something just because the price is low. For the price to go up, some important change must happen that people recognize. If you are the first to see change coming, you can make big profits.
- **Make your own luck** – The luckiest people tend to be the hardest working and the most informed. That's another reason to always do your homework. Rogers once bought a diamond in the black market in Africa, only to find out later that it was glass. He didn't know enough to tell the difference. He considers the experience a relatively cheap way to have learned to invest only in things that he thoroughly understands.

About the Author

Jim Rogers co-founded the Quantum Fund with George Soros. He wrote *A Bull in China*, *Hot Commodities*, *Adventure Capitalist* and *Investment Biker*. He has been a professor of finance at Columbia University's business school and is a media commentator.