

Jim Cramer's Get Rich Carefully

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Tired of phony promises about getting rich quickly, promises that lead to reckless decisions (the stepping stones to the poor house)? How about trying something different? How about going for lasting wealth—and doing it the cautious way? In *Get Rich Carefully*, Jim Cramer uses his thirty-five years of experience as a Wall Street veteran and host of CNBC's *Mad Money* to create a guide to high-yield, low-risk investing. In our recovering economy, this is the plan you need to make big money without taking big risks.

Drawing on his unparalleled knowledge of the stock market and on the mistakes and successes he's made on the way to his own fortune, Cramer explains—in plain English—why you can get rich in a prudent, methodical way, as long as you start now. In his own inimitable style, Cramer lays it on the line, no waffling, no on-the-one-hand-or-the-other hedging, just the straight stuff you need to accumulate wealth. This is a book of wisdom as well as specifics. Cramer names names, highlights individual and sector plays, and identifies the best long-term investing themes—and shows you how to develop the disciplines you need to exploit them.

The personal finance book of the year, *Get Rich Carefully* is the invaluable guide to turning your savings into real, lasting wealth in a practical, and yes—because this is, after all, a book by Jim Cramer—highly readable and entertaining way.

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Author's Note

As I put this book to bed, I know we are in for still another year during which Washington will provide no rest for the weary. This book is about getting rich carefully; Washington is writing a serial novel about bankrupting us slowly.

We would have loved to think that after the bitter conclusion of the October 2013 debt ceiling fracas we could at last invest without endless daily intrusions from politicians, many of whom don't know the difference between a stock and a bond. But let's be realistic. Politics has sewn its way into the very fabric of our daily lives, in large part because our nation has spent beyond its means (and yet seems to have so little to show for it). The fabric's going to choke us several times a year now if we aren't mindful of how harmful politicians of both parties have become to our portfolios.

As you will see in this book, I don't think it's for me to opine on what Washington should or shouldn't do about debt ceilings, tax rates or budget appropriations. I don't care if you are a Tea Party member or a tax-and-spend liberal. I care about making you money. I am focused on the savings side of your ledger. Given that Washington's going to be wrangling about matters that directly impact your portfolio for years to come, let me share some tips

gleaned from what has worked each time these hideous interchanges have occurred so that you can survive-and possibly even thrive-through the partisan pulverizing that Washington is now guaranteed to do to your savings.

Within the last three years, our stock market has had four separate run-ins with politics that caused you to lose a lot of money: the 2011 federal budget bust, which led to a ratings agency debt downgrade; the 2012 fiscal cliff debacle, with its concomitant tax increases; the spring 2013 failure to avoid the federal sequester; and, finally, the pointless fall 2013 government shutdown and debt ceiling clash. All four battles curtailed business, eroded confidence, and hurt your pocketbook. Even if this litany of pain can't be broken, is there any way to profit from it?

The short answer is yes. Each Washington tussle has the same familiar pattern. All four bitter budget contests were basically scheduled events, meaning that you could tell that they were about to occur because they were provoked by deadlines that were clearly visible to all. In each case, approximately one month before each deadline, you began to hear chatter, typically from political commentators (not businesspeople), that Republicans and Democrats might be at loggerheads over some sort of budget issue or tax resolution that had to be agreed upon or the government would cease to function. Soon after, you got pleas from various money managers, who assured you there was no need to worry about the upcoming turmoil: all you needed to do was "stay the course," because it's just politics and every time we get one of these political dramas, the action may become twisted and tortured but all will work out in the end.

While, ultimately, these "cooler heads" are right that we haven't defaulted yet and most likely won't, their "stay the course" admonition only makes sense if you are willing to experience heavy losses-realized or unrealized-and then hope to recoup those losses once the issues are resolved. That is not now nor has it ever been my style. I say if you can dodge big declines and get back into the market at lower levels, you should do so, at least with some of your money, and not just sit there and take an undeserved beating.

But here's the trick. You must take aggressive action and do some selling the moment you hear these false reassurances and not one second later. You cannot afford to wait. Here's why: In all four of these go-rounds, the stock market lost on average about 8 percent from the moment a potential skirmish began to be talked about-usually one month before the drop-dead deadline that's supposed to trigger a default or a downgrade-to when the war was finally concluded. Given this consistent peak-to-trough decline, you would be nuts not to do some selling the instant you hear the words "looming" and "Washington" in the same sentence. You have to overcome the complacency bred by smug money managers who blithely assure you with Shakespearean wisdom that All's Well that Ends Well. That's because when you hear their soothing entreaties, you are at the exquisite moment at which you can still take action to preserve some of your hard-earned dollars before that coming 8 percent plunge.

Then and there, you need to trim whatever stock portion of your portfolio you can trade, be it an IRA, 401k, discretionary, or whatever; it doesn't matter. Try to sell at least 10

percent of your holdings before the alarm bells go off, because that's probably the last moment at which you will get prices that are high enough and worthwhile enough to exit whole. You can take that newfound cash and put it safely on the sidelines, readying it for the inevitable and brutal denouement that all of these phony reassurers didn't see coming during the downgrade debacle, the fiscal cliff, the sequester and the debt ceiling rows. Similarly, if you are about to make your regular contribution to one of those retirement accounts, try to hold off and wait for the ensuing stock decline. Having that money taken "off the table" so as to be ready for the inevitable buy point is akin to saving up for a sale at the mall. You need to have cash at the ready to take advantage of the bargains Washington's about to give you.

Then I want you to be prepared to buy several of the stocks that I recommend here, which I believe will hold up under any politically engendered onslaught; they have catalysts that will not be stopped by the shenanigans in the Capitol. You have to pull the trigger at the point of maximum fear, because these are the kinds of stocks that rarely get clocked except in a sell-off that's extraneous to the performance of their underlying companies.

Now, how will you know when to begin to reinsert your money into the market? Easy: A few weeks after the exquisite sell moment, as the market has begun to plummet, you are going to hear FROM THE VERY SAME PEOPLE WHO TOLD YOU NOT TO WORRY that, oops, the divisions in Washington are far more serious than they'd thought, maybe even worse than the last dispute. They will suggest that perhaps it is time to start selling some stocks in preparation for the "coming" decline even though the market's already been rolling over for days now. Sadly, for those who don't understand the rhythm of these events, it will then already be too late to take defensive action. In fact, when the "stay-the-courser" change their tune and tell you that it is prudent to raise some cash, that's precisely when you must begin to reapply your sidelined money into the best-of-breed names that are described in this book.

As we get closer and closer to each fated deadline, it pays to get more aggressive with that sidelined cash. However, do not wait until the last day to do your buying because history shows that some traders will get wind of a settlement ahead of others. You snooze until that last hour, you lose; the best opportunity will have come and gone.

Now I know that this is an intense way to approach these moments. You can argue that you don't need to avail yourself of these sell-offs, but as you will soon see, if you want to get rich, carefully, it's precisely these kinds of declines that can make a big difference in doing so over the long-term. You are about to read about plenty of other, easier ways to make money, but you now know what's worked before and what I believe can work the next time a divided, dysfunctional government raids your nest egg.

October 2013

How does something so fascinating, so enjoyable and, yes, most important, so lucrative, keep losing the hearts, minds and wallets of the American people? Every day when I come to work on Wall Street I now ponder the question of how Americans have turned so decidedly against investing in stocks. As I make my way through downtown Manhattan each morning, traversing the canyons that used to teem with eager young associates and stentorian partners excited for the ringing of the opening bell, I now marvel at the neighborhood's symbolic neglect and emptiness. In the thirty years I've toiled in the financial district, I have seen it transformed from the pulsating engine of corporate progress to an ossified antique, a museum of what capitalism used to look like, with the bustling bespoke professionals supplanted by frazzled tour guides, arms extended in the air, bearing different colored umbrellas to be sure their flocks don't stray down some blind alley filled with empty offices that still bear signs of long-ago forgotten or deceased stock broking firms.

Yet at the exact same time Wall Street's star has dimmed both metaphorically and in reality, the profits left for those stalwarts who have managed to hang on have been nothing short of spectacular, among the greatest ever recorded. Interest dwindles even as takeovers and acquisitions, those instant wealth creators, occur with a velocity and magnitude that would have been undreamed of just a few years ago. People avoid the mention of stocks even as we have blown through all sorts of levels of the Dow Jones Average that would have been unthinkable six years ago, when the market had lost half its value and companies were bleeding from their eyeballs. Few even seem to care that we are getting back to those vaunted NASDAQ prices of the turn of this century, except this time the technology stocks that dominate that index represent good values. They aren't about to explode in your faces like the Internet dot bombs did so hideously in 2000 and 2001. In fact, they could be in the midst of a sustained run. Yet, sadly, these growth stocks, both young and old, seem to beckon no one but the most intrepid of investors.

So what's happened? What can explain why fewer and fewer people seem to partake of the tantalizing and realized possibilities of tremendous wealth at our fingertips and right before our eyes? How did the souring continue despite the historic runs so many stocks have enjoyed?

It's not an easily answered question. In truth, many issues weigh on the minds of potential stock investors and they've only grown more weary, not less, as the averages power higher, and the winnings are distributed to fewer and fewer takers. In the old days when we took out big round numbers, Dow 9,000, Dow 10,000, Dow 11,000 and the like, the gains intrigued, enticed, and seduced. Now, sadly and shockingly, they seem to repel people and create new levels of trepidation with every breached benchmark. "Oh we missed it all, Cramer" is the sentiment I hear from passersby and see on Twitter @JimCramer.

Before I give you the litany and refutation of unfounded fears that keep so many from snatching the riches stocks create, let me reassure you that the themes, ideas, disciplines and concepts embraced in this book will allow you to triumph over any of the objections that I hear so frequently. If anything, the opportunities since Get Rich Carefully first rolled

off the presses have gotten only more bountiful, the themes more pronounced, the profits from exploiting them even larger than I had imagined when I was first committing them to paper.

And, of course, I don't share in the increasing hostility toward making money through stocks after they have already had some strong gains, provided the fundamentals of the companies underneath them continue to improve. I know better and will show you, empirically, why my methods will allow you to triumph over the critics' castigations that stocks are too expensive and risky and that the entire asset class is tainted and illegitimate.

First, though, let me address the considerable brief against equities and tell you why I think the criticisms fail to measure up under close scrutiny. The most important indictment smearing Wall Street is that it's rigged, and rigged against you, the little guy, in favor of some nameless wealthy people who collude and pull the strings of stocks like they are so many marionettes on a stage of corrupt illusion. We recently heard a prominent and charming author, Michael Lewis, begin his book tour for *Flash Boys* with the rigging siren, a damning critique made pretty much everywhere he visited, often greeted with knowing nods, as if, somehow, after all of the indictments and scams and flash crashes and bank penalties, how could it not be rigged.

Let me give you a reality check: there's nothing rigged about Procter & Gamble or 3M; there's nothing phony about Boeing and Intel, nothing corrupt about Google or Starbucks. Yet when we say "the market," we are really talking about a supermarket that contains pieces of paper that are backed up by the real profits and predicted profits of these enterprises and thousands more honest companies just like them.

At times are the prices of their stocks ever so minutely impacted by the machinations of the so-called "big boys" Lewis derides? Yes, they certainly are, and I am sure that each of us has had, at one time or another, a few insignificant pennies taken by them when we took our profits off the table. I don't care for the high-frequency traders, and I cite them as a reason for the lack of faith in this market, throughout many a chapter. But I care more about the psychological impact of the charge that they are rigging the overall markets even more than I dislike their financial avarice and how it can impact your bottom line. I think the jeremiads of one author have once again scared people and frightened them back to the sidelines to where opportunity is nil. That's costly and it is wrong. In the long run, their high-frequency trades won't amount to a hill of beans for you if you pick the right stocks and hold them to ever superior gains.

High-frequency traders do have an unfair millisecond or two edge in trading. I don't think anyone should be allowed to have even that kind of small advantage over anyone else in the financial markets. I have always favored a leveled playing field with equal access to the best prices, something that, because of the prevalence of high-frequency trading, is decidedly not the case right now. The government should change the rules so no one can speedily front run your orders or the orders of the mutual funds you may be investing in. Still, though, remember that the impact on your sliver of a mutual fund that is gaffed by

these traders is infinitesimal and certainly no reason to avoid investing in stocks.

Far more important than the pennies they clip are the dollars I want you to make with some of the long-term investments I suggest here. I know from this book and others I have written, as well as from my television shows, Squawk on the Street and Mad Money on CNBC, and my on-line blog in thestreet.com, that money can and is made fairly and squarely every single day that the stock market's open. We don't need to fret about making two cents less on a gigantic takeover bid. We can't really care if a nickel is scalped out of the hundreds of dollars that the tremendous themes described within have made us. That's just plain foolishness, brought on b...

Other Books

Bekenntnisse eines Wall-Street-Süchtigen, Schon als Junge war Jim Cramer fasziniert vom Börsengeschehen und entdeckte schnell sein Händchen für aussichtsreiche Trades. Er erzählt auf brillante Weise, wie er als gefragter Journalist sein ganzes Hab und Gut verlor und dennoch niemals aufgab. Cramer verschrieb sich mit Haut und Haar dem Aktienmarkt, kämpfte sich zurück und wurde wohlhabender Vermögensmanager, dessen ständige Begleiter irrsinniges Tempo und immenser Druck waren, um den Markt und die anderen Fondsmanager zu übertreffen. Cramer - der die Wall Street besser kennt als irgendetwas sonst - nimmt den Leser mit auf eine Besichtigungstour, bei der keine Tür verschlossen bleibt. Er enthüllt, wie das Spiel gespielt wird, wer die Regeln bricht und wer den Schaden davonträgt.

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