

## Book Review: The Brainwashing of the American Investor

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As I write this (11-27-2007), the markets are getting ready to open after closing down the previous day. The Dow Jones industrial average has fallen nearly 240 points and the headline in the local paper is screaming "Wall Street suffers another big hit." Serious-faced announcers on cable-TV are saying the Dow is down 10.03 percent from its mid-October closing high, officially putting the blue chip index past the 10 percent threshold that signifies a correction.

For Steven R. Selengut, author of *The Brainwashing of the American Investor*, corrections such as this are as welcome as rallies. The market, he points out, is just doing what the market has always done.

"Here is some advice that you just won't hear on CNBC or read in *The Journal*," he writes in this revised edition of an earlier book bearing the same name. "It is based on one incredibly simple market fact: There has never been a market correction that has not succumbed to yet another rally. So when the doom and gloom noise becomes deafening, get yourself out there and party."

When the markets move into a correction, Selengut's investment strategy already has investors sitting on a pile of cash -- accumulated profits taken on stocks as the market rallied -- plus cash thrown off from fixed-income securities. As the NYSE-traded stocks he follows move down 20 percent or more, he moves back into them and waits for a 10 percent profit to cash out and then look for another opportunity to repeat the process.

Even better, for skittish investors such as me, Selengut's unique "Working Capital Model" reduces the emotional factor by taking the emphasis off market value and focusing on growth of working capital, defined as the total cost basis of the securities and cash in the portfolio. As long as working capital is increasing, market value is irrelevant.

As a recent retiree, I appreciate this conservative approach to growing working capital. I implemented and followed the trading strategy myself for about a year and a half before turning my account over to Sanco Services, an investment management company founded and operated by Selengut. The Working Capital Model worked the way it was presented. My only reason for turning the account over to Sanco was to be sure that my financial assets would be handled in such a way that my wife would not have to worry about an adequate income in the event that I was no longer able to manage the assets myself.

*The Brainwashing of the American Investor* is a book I wish I had been able to read 30 years ago. Those of you who still have years of investing ahead of you would do well to buy this book and read it thoroughly two or three times. It will save you a lifetime of mistakes that come from following conventional wisdom.

**This is the book that Wall Street does not want you to read.**

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