

JIM CRAMER'S REAL MONEY

Sane Investing in an Insane World

JAMES CRAMER

JAMES CRAMER hosts a nationally syndicated radio program, *Real Money*. He is also cofounder of TheStreet.com, a columnist for *New York* magazine and a market commentator for CNBC. A graduate of Harvard College where he earned a law degree, Jim Cramer ran his own hedge fund from 1987 to 2000 generating a 24-percent compounded rate of return after fees. Mr. Cramer closed his hedge fund in 2001 in order to build his other business and media interests. He is the author of *Confessions of a Street Addict* and *You Got Screwed*.

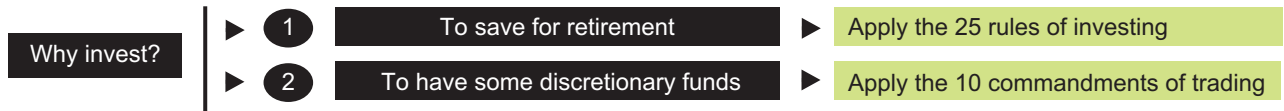
The Web site for this book is at www.thestreet.com.

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MAIN IDEA

Your personal investment strategy cannot exist in isolation. There are no such thing as universal rules or insider secrets which will apply to everyone all the time. Rather, your investment strategy can and should vary in sync with your individual investment goals which will change and evolve throughout your working life.

There are only two genuine reasons why you should invest:



The rules of trading and the rules of investing are quite distinct and different. Many newcomers fail to understand or make this distinction, and end up taking ideas that apply in one context and applying them to situations that actually require an entirely different approach. This can be detrimental to your ability to achieve your investment goals, and almost guarantees that you'll get caught up in the periodic periods of "irrational exuberance" which typify the stock markets.

1. A personal investment blueprint Page 2

A lifetime investment strategy will never be one-size-fits-all. Instead, your investment choices and decisions should accurately reflect where you are in your working career lifespan. Before you make any investment decisions, take the time to get the right perspective in place first.

2. The basic tools you need Page 3

Before you can start investing or trading successfully, you need these basic tools:

1. The ability to compare one stock with another.
2. An understanding of the cycles that drive stocks.
3. Knowledge of the best places to look for big gains.

3. The 10 commandments of trading stocks Page 4

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|---|--|
| ▶ 1 Never turn a trade into an investment. | ▶ 6 You don't have a profit until you actually sell. |
| ▶ 2 Your first loss is your best loss. | ▶ 7 Limit your losses; let your winners run. |
| ▶ 3 Take a loss if you already have one. | ▶ 8 Do your homework; don't follow the crowd. |
| ▶ 4 Don't let trading gains be investment losses. | ▶ 9 Don't let the media tell you what to buy. |
| ▶ 5 Ignore any and all tips you get. | ▶ 10 Don't trade just because everyone else is. |

4. The 25 rules of investing in stocks Pages 5 - 7

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| ▶ 1 Bulls make money, pigs get slaughtered. | ▶ 14 Expect corrections. Use them to advantage. |
| ▶ 2 Never let tax liabilities make your decisions. | ▶ 15 Know what bonds are offering at all times. |
| ▶ 3 Never buy all your shares at once. | ▶ 16 Don't subsidize losers with your winners. |
| ▶ 4 Find broken stocks, not broken companies. | ▶ 17 Hope is not an investment strategy. |
| ▶ 5 Practice diversification at all times. | ▶ 18 Be flexible and change direction quickly. |
| ▶ 6 Use buy-and-homework, not-buy-and-hold. | ▶ 19 Sell when high-level people quit a company. |
| ▶ 7 Nobody ever got rich by panicking. | ▶ 20 Be patient. |
| ▶ 8 Pay a little more to own the best of breed. | ▶ 21 Don't believe everything you hear or read. |
| ▶ 9 When in doubt, use more discipline. | ▶ 22 Don't buy because of profit shortfalls alone. |
| ▶ 10 Focus on fundamentals, not on takeovers. | ▶ 23 Respect the power of Wall Street hype. |
| ▶ 11 Own as many stocks as you can follow. | ▶ 24 Explain your reasoning to someone else. |
| ▶ 12 Be prepared to keep your money in cash. | ▶ 25 Remember there's always a bull market. |
| ▶ 13 Don't engage in woulda-shoulda-coulda. | |

5. Putting the rules and commandments into action – building a discretionary portfolio Pages 7 - 8

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