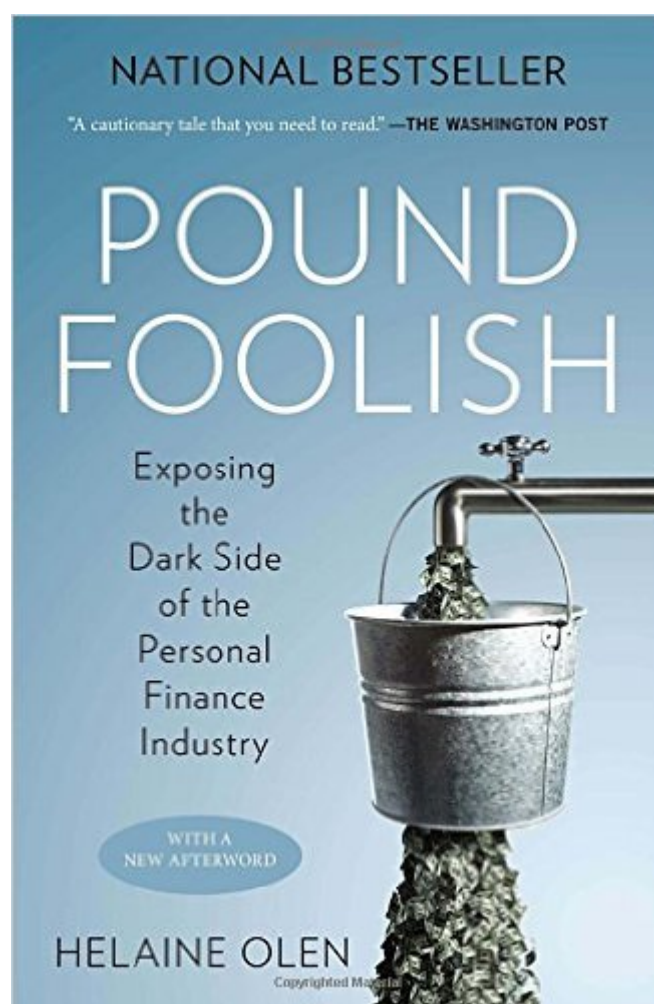


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# Pound Foolish: Exposing The Dark Side Of The Personal Finance Industry



## Synopsis

If you've ever bought a personal finance book, watched a TV show about stock picking, listened to a radio show about getting out of debt, or attended a seminar to help you plan for your retirement, you've probably heard some version of these quotes: "What's keeping you from being rich? In most cases, it is simply a lack of belief." • "SUZE ORMAN, *The Courage to Be Rich* "Are you latte-ing away your financial future?" • "DAVID BACH, *Smart Women Finish Rich* "I know you're capable of picking winning stocks and holding on to them." • "JIM CRAMER, *Mad Money* They're common refrains among personal finance gurus. There's just one problem: those and many similar statements are false. For the past few decades, Americans have spent billions of dollars on personal finance products. As salaries have stagnated and companies have cut back on benefits, we've taken matters into our own hands, embracing the can-do attitude that if we're smart enough, we can overcome even daunting financial obstacles. But that's not true. In this meticulously reported and shocking book, journalist and former financial columnist Helaine Olen goes behind the curtain of the personal finance industry to expose the myths, contradictions, and outright lies it has perpetuated. She shows how an industry that started as a response to the Great Depression morphed into a behemoth that thrives by selling us products and services that offer little if any help. Olen calls out some of the biggest names in the business, revealing how even the most respected gurus have engaged in dubious, even deceitful, practices "from accepting payments from banks and corporations in exchange for promoting certain products to blaming the victims of economic catastrophe for their own financial misfortune. *Pound Foolish* also disproves many myths about spending and saving, including: Small pleasures can bankrupt you: Gurus popularized the idea that cutting out lattes and other small expenditures could make us millionaires. But reducing our caffeine consumption will not offset our biggest expenses: housing, education, health care, and retirement. Disciplined investing will make you rich: Gurus also love to show how steady investing can turn modest savings into a huge nest egg at retirement. But these calculations assume a healthy market and a lifetime without any setbacks "two conditions that have no connection to the real world. Women need extra help managing money: Product pushers often target women, whose alleged financial ignorance supposedly leaves them especially at risk. In reality, women and men are both terrible at handling finances. Financial literacy classes will prevent future economic crises: Experts like to claim mandatory sessions on personal finance in school will cure many of our money ills. Not only is there little evidence this is true, the entire movement is largely funded and promoted by the financial services sector. Weaving together original reporting, interviews with experts, and studies

from disciplines ranging from behavioral economics to retirement planning, *Pound Foolish* is a compassionate and compelling book that will change the way we think and talk about our money.

## Book Information

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## Customer Reviews

Freelance writer and former LA Times journalist for the Money Makeover series, Helaine Olen, has written a lively expose of the personal finance industry but if you are looking for advice on how to run your own finances, look elsewhere. A good story-teller and a little gossipy, Olen single-handedly takes on the likes of David Bach, Robert Kiyosaki, Suze Orman, Dave Ramsey, and many others, with a somewhat more balanced treatment of Sylvia Porter and Jane Bryant Quinn--not that more balance would save the first four from her expose' of their inconsistencies, platitudes, self-serving claims, hypocrisy, and sometimes outright lies. And at the same time, she has debunked some of their schemes and advice like investing in individual stocks, purchasing indexed annuities, giving up your lattes, thinking rich, investing in real estate, spending \$3000 or more on get-rich seminars, and a lot more nonsense that passes as sound financial advice. By two-thirds of the way through this book, I was ready to cash in my 401(k), stuff it all in a Mason jar, and bury it in the back yard. Fortunately the ground was frozen by then. Some of the later chapters of the book take a somewhat different tack. Stereotypes of women supposedly incompetent as financial managers are exposed as the bigotry that they are in a still sexist society though she says it more nicely than that. She shows the futility of financial literacy curricula for school children as well as the trend toward financial therapy. She argues that there is a link between the rise in obesity and the increased impoverishment of many in the middle class--but neither causes the other.

I read a lot about personal finance because, like most everyone else, I am not in the kind of tip-top financial shape that received wisdom says I should be at this point in my life. What did I do wrong, I keep wondering? What can I do now? I've read and admired the works of Barbara Ehrenreich, particularly "Bait and Switch", which demonstrates that the current high rate of unemployment--especially for older, experienced workers--is not in fact due to inferior resume-writing skills or failure to compose a zippy enough "elevator speech." In other words, it's not our fault, but rather a much larger, societal problem. The deck is stacked against us as corporations continue to outsource, shed experienced workers, and make clever use of temp workers to reduce payroll costs. I see Helaine Olen's "Pound Foolish" as an extremely valuable companion to Ehrenreich's work, one that puts the focus on the financial industry and the ways in which it is designed to profit from our financial misery while making us believe it is all our fault. I recall one financial advisor telling my husband and me that the problem with our finances amounted to "lifestyle" issues. He cited the fact that we own smartphones as an example. As if that could be viewed as a shocking indulgence, comparable to, say, frequent weekends at the Four Seasons. There is little mention of the fact that expenses for basics like healthcare and education have ballooned as wages have stagnated or even fallen and employment has become frighteningly tenuous and sporadic, which is our real problem. Olen makes an enormous contribution here.

Helaine Olen has taken years of research and exposed many, as she describes, "dark" issues in the financial services industry. As someone inside the industry, I was impressed with Olen's ability as a financial lay person to get under the hood and examine the inner workings of complex financial products and pitches. Conflicts of interest and hypocritical advice abound. Selling without informing is common. Yet I had mixed feeling while reading the book and certainly about the conclusion. The Hits

- 1) The discussion of Dave Ramsey, David Bach and Suze Orman et al was enlightening as it gave readers that may not have read their books, attended their seminars or bought their products an in depth view of what to expect and what to avoid. In my opinion, many of these financial gurus have worthwhile messages for the masses for getting their finances in order. Yet they also have the entrepreneurial spirit and strive to achieve higher and higher success. The desire for more fame and wealth leads them to do things like create upselling opportunities for higher margin products and provide contradictory advice to sell products and services. Olen does a good job of pointing out the skeletons that all these gurus have in their closet.
- 2) The reality check that doing all the right things and following all the rules may not lead the investor to financial success is a useful lesson. Yes life

has many curveballs and it is hard to avoid all of them. Olen identifies the problem well, but is light on solutions. Life happens and almost everyone needs to respond to adversity.<sup>3</sup>) The financial literacy discussion was one of the most thought provoking for me. I had been of the opinion that more education would make a difference.

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