ForeWord Reviews

BUSINESS & ECONOMICS

**Street Wise: A Guide for Teen Investors**
Janet Bamford
Bloomberg Press
978-1-57660-039-9
(September 2000)

With teens holding the most disposable income in history, it's only natural that parents would want them to learn to do something more intelligent with their money than buy the latest CD or sneakers. Enter a guide to teen investing designed to interest young people in the market, and in making their money work for them.

The book is somewhat elementary, but quite extensive, with explanations of stocks and how they work, how to open a custodial account (teens must have one until they are old enough to hold and trade stocks in their own names), and how to evaluate a stock. There are success stories from adults who grew up around investing, learned as children, and went on to become fund managers or hold other responsible positions in the financial industry. Alexandra Lebenthal, for instance, head of the bond brokerage firm Lebenthal & Co. in New York, is only one example. Others include James J. Cramer, president of Cramer, Berkowitz & Co. and founder of TheStreet.com, who began tracking stocks in second grade.

There are also insights from kids who have already amassed sizeable portfolios, such as Jason Orlovsky, a New Jersey high school senior who began investing with $5,000 he received for his bar mitzvah. Jason turned that $5,000, plus about $5,000 more from savings, into a portfolio worth about $342,000 at press time. He has moved about $80,000 of the money into more conservative mutual funds in anticipation of college tuition bills, and bought himself a used Ford Explorer; stories like this are almost guaranteed to get teens' attention, along with tips on how the reader, too, can turn babysitting or lawnmowing money into a nest egg by the time college rolls around (well, maybe not quite that soon in every case).

Other sections of the book explain how to evaluate a stock; the difference between preferred and common stock; understanding P/E ratio; the meaning of risk vs. reward; and how to be a long-term investor. There is also a relatively good explanation of what day traders do, and what the riskier investment strategies are (buying on margin, shorting, options, covered vs. naked, derivatives, etc.) and cautions about when, if ever, to consider using them. There is also a very useful discussion of full-service, discount, and deep-discount brokers that compares the

Merrill Lynches to the Charles Schwabs to the e-Trades of the world, and a caveat about brokers' impartiality when their income depends on their client's buying or selling rather than holding a stock for the long term.

Taxes, earned income, and how investing can affect a teen's quest for tuition assistance are also covered, as well as investing with parents for partners and the actual definitions of stock purchase terms (stop order, limit order, market order, etc.).

Later chapters on mutual funds, investing clubs, and trading games are quite exhaustive. Explanations of what mutual funds are and how they work, what sector funds are, and how to determine the risk and costs involved in selecting a particular fund are quite helpful. Investing clubs seem to be a popular school activity these days, as well, from what the text says, and there are plenty of details on how one works and what types of clubs there are. The chapter on trading games points out the difference between using risky strategies to win a game and the dangers of using risky strategies with one's life savings. There is also an extensive section on Internet resources for research and one on the possibility of Wall Street careers.

There are lots of sidebars, tables, little inserts with factoids, and other "kid-centric" gimmicks to make the book more appealing to the young. Adults may find it a bit too elementary, and there are some areas where it could go deeper into explanations without losing either the young adult it's written for or the neophyte investing grownup hoping for basic information, but it's a very thorough, clear introduction to the market for young people, with plenty of examples to keep them reading and lots of useful information to get them started.

*Marlene Satter*