

Contents

Acknowledgements ix

About the Author xi

Introduction xiii

Should You Read This Book?

Prologue xv

Chapter 1 Welcome to the World of Investing 1

Israel's Economic Outlook · Israel is Forging Ahead · Past Performance Does Not Indicate Future Results · Opportunities for the Market to Fall · Opportunities for the Market to Rise · Individual Companies Often Make Comebacks · Summary

Chapter 2 More About the Markets 11

The Beginnings of the American Market · New Regulations to Protect the Public · NYSE: An Auction Market · NASDAQ · The Tel Aviv Stock Exchange (TASE) · TASE: Four Phases of Trading · The Best of Both Worlds: Investing in Israeli and U.S. Corporations · Banks Provide Financial Services · Which Account Should You Choose? · Summary

Chapter 3 Why Buy Stocks? 23

Owning a Business · Corporate Stocks · To Buy, or Not to Buy? · It's a Rough Ride for Short-Term Investors · You Have Choices · Diversification Technique #1: *Select Different Market Sectors* · Diversification Technique #2: *Common or*

Preferred Stocks · Diversification Technique #3: *Foreign Corporations* · Diversification Technique #4: *Stock Research* · Diversification Technique #5: *Real Estate Investment Trusts* · Diversification Technique #6: *Large, Medium, and Small Stocks* · Diversification Technique #7: *Growth or Income?* · Diversification Technique #8: *Look for Corporate Stability* · Trading Terms · Summary

Chapter 4 Making Money in Bonds 43

Considerations in Buying Bonds · U.S. Government Bonds: Why Lend to Uncle Sam? · U.S. Government Agency Bonds · Municipal Bonds · Munis Are Not for Everyone · Zero Coupon Bonds · How Do Zero Coupon Bonds Work? · How Bonds Are Issued, Traded, and Priced · Understanding Bond Yields · Premium Bonds: A Great Opportunity · Convertible Bonds: Another Way to Buy Stocks · Secure or Not? Check the Rating · Junk Bonds (a.k.a. High-Yield Bonds) · What is Junk Worth? · “Put Junk in the Garbage. I Want the Safety of CDs!” · Two Bond-Buying Strategies · The Parts of a Ladder · Buying Israeli Bonds · The Index that Tracks Inflation · Inflation Reduces Your Purchasing Power · CPI Bonds · U.S. Dollar-Linked Bonds · Summary

Chapter 5 Are Mutual Funds for Everyone? 71

Four Reasons to Buy Mutual Funds · Your Tolerance for Risk · What Is Your Real Rate of Return? · How Mutual Funds Really Work · Which Fund Suits You Best? · Are Index Funds for You? · Open-End Mutual Funds · Closed-End Mutual Funds · Taxes · Investing in Foreign Companies · The Pros and Cons of Open- and Closed-End Mutual Funds · Unit Investment Trusts: Another Way to Buy Diversification · Seven Reasons for Selling Mutual Funds · Research Your Funds · The Best Place to Look for Fund Information · Costs and Fees · Paying Taxes · Don't Pay Tax on Someone Else's Gains · More on Taxes · Summary

Chapter 6 Invest Like a Pro 97

Know What's Going On · Follow the Analysts · The Pros Listen to the Analysts · Fundamental Analysis · Keeping Track: Using Indexes · Indexes for Other Markets · Indexes in Israel · Technical Analysis · Pros Look to Monte Carlo · What Other Investing Strategies do the Pros Use? · Strategy #1: *Buy and Hold* · Strategy #2: *Dollar-Cost Averaging* · Strategy #3: *Market Timing* · Strategy #4: *Buying IPOs* · Strategy #5: *Short-Selling* · Strategy #6: *Buying on Margin* · Strategy #7: *Buying and Selling Options* · Strategy #8: *Using Futures Markets* · Strategy #9: *Buying Hedge Funds* · Strategy #10: *Investing in Real Estate* · Do-it-Yourself vs. Using a Pro · Investing Advice from the Pros · Summary

Chapter 7 Work-Related Benefit Plans 129

Common Israeli Pension and Benefit Plans · Customize Your Pension Plan to Your Needs · Naming the Right Beneficiaries · Are Changes Necessary? · Em-

ployee Stock Options · Stop and Think · Review of American Plans · More About IRAs · Roth IRAs · Contributing to Your IRA from Abroad · U.S. Social Security · Working for an American Company in Israel · Working for Yourself · Summary

Chapter 8 Creating a Budget 145

Are You Making Ends Meet? · Building a Budget · Money Coming In · Money Going Out · Helpful Hints for a Successful Budget · Will Your Budget Work? · Can Your Budget Keep up with Inflation? · The Need to Save · Overdraft · Where Does Your Money Go? · Summary

Chapter 9 Planning for Your Future 163

Who Should Have a Financial Plan? · Begin with a Financial “Snapshot” · Set Your Goals · Take Time to Determine Your Risk Tolerance · Be Aware of Potential Problems · Let Someone Else Share Your Risks · Set up an Asset Allocation Model · Rule of 72: Are We There Yet? · Different Strokes for Different Folks · Let Your Financial Plan Be Your Guide · Follow Your Plan · Summary

Chapter 10 The Importance of Estate Planning 179

You Can't Take it with You · Will Your Heirs Have Problems? · Estate Tax Exclusions · Unlimited Marital Deduction · Before You Think of the Hereafter · Why Do People Need Wills and Trusts? · Begin with Your Will · Who Will Love Your Children? · Who Should Be the Executor? · Review and Update Documents Regularly · Will or Trust? · Keeping Your Assets in a Trust · Revocable vs. Irrevocable · Should You Set up a Trust? · Common Trust Concepts · Not All Trusts Are Suitable · Do You Need Expert Advice? · Who Will Be on Your Advisory Team? · Summary

Chapter 11 Dealing with Financial Success (Part I) 199

Who Will Help You? · What Is a “Managed Money” Account? · Are Managed Accounts for You? · Fees · For Now and for the Future

Dealing with *Serious* Financial Success (Part II) 207

Who are the Very Wealthy? · The Team Approach · The Family Office · Family Offices Make Philanthropy More Efficient · The Multi-Family Office: A Sharing Solution · Summary

Chapter 12 An Overview: Two Countries – Two Tax Codes 215

The U.S.-Israel Tax Treaty · Israeli Income Tax · Filing Your U.S. Tax Return from Overseas · Foreign Earned Income · Change Your Address on File with the IRS · Extensions · Foreign Currency and Tax Returns · Non-resident Alien

Spouse · Installment Payments · Tax Home in a Foreign Country (The U.S. Perspective) · Charity Tax Laws · Leaving a Legacy · Summary

Special Guest Chapter: The Tax Scene for Israeli Investors 229

About the author · Introduction · Tax Basics · Who is a Resident for Israeli Tax Purposes? · Dual Residency and Tax Treaty Tie-Breakers · U.S. Persons · Israeli Tax Rates for Investment Income · New Immigrants and Returning Residents · Securities Dealers · Finance Expenses · Investment Losses · Trusts · Life Insurance · Double Tax Relief · Reporting Rules · Tax Planning · Short-Term Planning · Individual Investment · Long-Term Planning · Yuppie · Middle-aged · Just Sold a Business or Inherited a Fortune · Retirement · Giving to the Family · Giving to Charity · Family Office · Life Insurance · Conclusion

Glossary 261

Index 283