Preface

I first learned about finance in 1975 when Professor Allan J. Cigler told me to buy utility stocks because for the next 2 years their dividends would be tax free. I did, and am forever thankful to him for getting me interested in finance and investment. Professor Cigler played another large role about 8 years ago when he came to my office and told me that our assistant professors thought they would be getting a pension from the university. "Oh, dear" said I, "what shall we do?" He suggested writing something that would correct the assistant professors' views on retirement finance. I asked whether he wanted to do it or if he wanted me to write this document. He was busy at the time, so I started writing Finance for Academics and distributing it to my colleagues. It was not long before the document grew in size and more academics sought it. These were academics from all over, not only from my university, but from many others as well.

Over the years Finance for Academics began to spread beyond the academic community. I found out this year that it surfaced in Florida in an investment class run by an economist from the International Monetary Fund. Finance for Academics was the text for this class. That alarmed me. I decided then that I would put the document on my website and thought perhaps I should expand it to provide better and more thorough explanations. The result is this book.

I have tried to render the arcane world of finance somewhat simpler to a sophisticated audience. Finance and investment have grown ever more complicated with new sorts of investments and derivatives of old ones. Some of the most successful investors are mathematicians who can understand more easily the high level of mathematics that is today applied to investments. I have attempted to tone down the mathematics, but still show how some of the more important formulae work.

TIAA–CREF is the principal retirement entity for most of us. I am somewhat hard on TIAA–CREF in several chapters, in part because the institution is more opaque than it needs to be and because performance sometimes suffer. Nonetheless,