The Best (and Worst) Investments They Ever Made

Luminaries in Finance and Other Fields Reveal Their Greatest Hits—and Biggest Misses

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33 COMMENTS

It’s the time of year for reflection. The Wall Street Journal asked successful people in the world of finance and beyond about the best or worst investments they ever made.

Responses came from a former chairman of the Federal Reserve, two Nobel laureates in economics, several prominent investors and business leaders, a nationally renowned poet and many others.

Paul Volcker, former chairman of the Federal Reserve (1979-87):

The worst financial investment I ever made was spending so much time in government.

The most satisfying personal investment I ever made was spending so much time in government, frustrating as it could be.

William Bernstein, neurologist and investment manager at money-management firm Efficient Frontier Advisors:
The worst investment I ever made was about 30 years ago when I learned the hard way—by trading platinum—why individual investors shouldn’t dabble in commodity futures. The price collapsed and I lost something in the low five figures. I applied the lesson to speculation in general, and it’s been paying dividends ever since.

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The best, back around 1994, was shares in [Mexican telecommunications giant] Telmex, a combination of astuteness and dumb luck. It was dirt-cheap, around five times earnings, and I made something like 20 times my money on the stock and its spinoffs. I later realized that a much safer and smarter move would have been to buy an emerging-markets index fund. Telmex could easily have gone bankrupt, but not a dozen or two whole markets.

**Mellody Hobson, president of mutual-fund manager Ariel Investments:**

My college education was my best investment.

I was the youngest of six children; my mother was a single mom, a struggling entrepreneur. We used to get evicted, to have the telephone disconnected, because we couldn’t pay the bills.

My mother said, “This education will pay for itself.” So I took on tens of thousands in student debt, but I paid it off very quickly. My starting salary was $35,000, and every month I paid back like five times what was due on my student loans. I figured that when you’re not used to having money, that’s the best time to forgo enjoying it.

A lot of people are questioning the value of a college education now, but I think the math is unarguable. It’s directly correlated to income.

**Terrance Odean**, finance professor, University of California, Berkeley:
In early 1989, I read that the land under the Imperial Palace in Tokyo was worth more than all the land in California. I called up my stockbroker and asked him how I might short Tokyo real estate. A few days later, he told me that I could buy put warrants on the Nikkei index [a bet on a decline in leading Japanese stocks]. Without further research—or thought—I bought $20,000 in put warrants.

But the Nikkei kept going up and my warrants plummeted. The $20,000 had shrunk to a bit more than $2,000. But I didn’t even consider selling. The emotional hit from losing $18,000 or losing $20,000 would be about the same, and the possibility that the investment would recover after I sold out was much more troubling.

In 1990, the Nikkei fell and my warrants started to recover. When the position got to a bit more than $6,000, it was worth about a third of what I paid but had tripled from the low. I sold about a third of my total position. I sold some more on the way up and made some money on the final warrants I sold.

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For many years, I told myself that I’d broken even overall. But I hadn’t. I’d lost at least $2,000. Worse, the Nikkei kept falling. If I’d held on to the warrants, I would have made a big profit—probably as much as $100,000.

Though I lost money, this was a valuable investment. I learned that I couldn’t time markets and that a bet that eventually pays off doesn’t do you any good if you can’t afford to stick with it. But the biggest lesson I learned is that it is much harder to sell for a loss than a profit.
Dolly Parton, singer-songwriter, co-owner of Dollywood Theme Park in Pigeon Forge, Tenn.:

Best: Definitely, Dollywood.

It fulfilled a personal dream of mine. In addition, it has provided so much fun and recreation for families around the world, as well as so much work for the local people—my people.

And it has helped the growth of the entire region.

Jonathan Tisch, chairman of Loews Hotels & Resorts:

Worst: In early 2000, I invested in the Chingalle restaurant in New York City’s Meatpacking District. Unfortunately due to a shaky period on Wall Street and then the impact of 9/11 on lower Manhattan business, the restaurant closed. Every time my wife and I eat in what is today a booming Meatpacking area, I lament how we were a little ahead of our time.

Rob Arnott, chairman of investment firm Research Affiliates:
My best and worst investment ever was a strategy involving highly leveraged short put and call options on the S&P from 1997 to 2002, a technique for profiting when fluctuations in stock prices decline. I was betting during most of this time that sharp price swings would fall. By 2001, I had about 10% of my net worth invested in this strategy, because options were systematically overpriced at the time.

On the morning of 9/11, I knew I lost a large chunk of my net worth in an instant (it was about 35%), but I truly didn’t care because the event was such a powerful reminder for all of us that life, family, love and health are precious; the magnitude of the financial loss actually made the irrelevance of the loss that much more self-evident.

It was also the best investment of my life because of that reminder of what’s important, and because my next step was—as a contrarian—to buy stocks aggressively when markets reopened. I’ve always loved to ramp up strategies and asset classes that have been deeply disappointing.

Dana Gioia, professor of poetry and public culture, University of Southern California, and former chairman of the National Endowment for the Arts:

The best investment of my life was the $0.83 that I spent on two cups of coffee at Stanford University’s Tressider Memorial Union in October 1975. I had met a beautiful graduate student a few minutes earlier in the campus bookstore, and I didn’t want to end our conversation. We have been conversing ever since, especially after we both said “Yes” in church five years later. This investment has subsequently required substantial cash infusions, but it continues to provide robust return on capital.

My worst investment was the $53 I spent in 1964 to buy an Indian Head five-dollar gold piece. I had never spent this much money on anything, but the coin seemed so magnificent to my 13-year-old eyes that I emptied my tiny savings account. The coin would actually have proved a good investment, but upon getting home, I dropped and nicked it—
therefore destroying its collectible value. The experience taught me that it isn’t just your investments that matter but how well you manage them.

Anne Stausboll, chief executive of the California Public Employees’ Retirement System:

Worst: Companies that don’t practice good corporate governance. The linkage between good governance and shareowner value is so strong that at times we invest more in underperforming companies with the goal of improving governance and, in turn, financials.

John C. Bogle, founder of fund giant Vanguard Group:

The best investment I ever made was one I had to save.

I’ve been investing in the Wellington Fund since July 1951, when I went to work at Wellington Management and 15% of my pay, or $37.50, went into it every month as part of the firm’s retirement plan.

Then, in the late 1960s, the fund became aggressively risky and abandoned its focus on safe, income-paying stocks. It ended up with the worst 10-year record of any balanced fund.

By 1978, it was broken, and I was determined to fix it. We established clear objectives and strategies to achieve them, including higher bondholdings and a list of 50 income-paying stocks to choose from. The fund came back from the brink and has outperformed the average balanced fund in 27 of the 35 years since 1979.

The fund [now called Vanguard Wellington ] has had a real renaissance, and it’s a matter of personal pride for me. I still get letters from Wellington Fund investors thanking me. The fund is also about 20% of my total retirement savings even now, after I’ve made substantial contributions to charity.
Eugene Fama, Nobel laureate in economics (2013) and finance professor at the University of Chicago:

Best: a 50-year policy of never investing with active managers.

Worst: $15,000 lost in a 1960s investment in a private oil-exploration company.

The shale revolution might have saved them, but they were gone by then.

William Sharpe, Nobel laureate in economics (1990) and emeritus finance professor at Stanford University:

When I taught Investments at the M.B.A. level at Stanford, I started the first class by writing a phone number on the board. I then told the students that it was the most valuable information they would get from me.

You probably guessed that it was the number for Vanguard. Of course, now it would be a website address. And other firms should probably be included.

But my devotion to low-cost, broadly diversified index funds hasn’t flagged.
Burton Malkiel, emeritus economics professor at Princeton University and author of ‘A Random Walk Down Wall Street’:

I have bought a number of individual stocks in my lifetime. Some have done really well and others less well. The most consistently best investment I have ever made is a total-stock-market index fund.

Investing is fun. If the large core of your money is invested in index funds, and you want to invest in something around the edges, do it. I do it. I remember the successes better than the failures. I got some Alibaba at the initial public offering. I’ll keep doing it because of fun. And I’ll keep doing it because I’m not fooling myself that I’m going to make a lot of excess return.

Kenneth French, finance professor, Dartmouth College:

It would be hard to beat the return from my investment in education. Extraordinarily generous scholarships allowed me to attend Lehigh University and the University of Rochester for almost nothing. Even if I include the value of my time and effort, the cost of this investment was a tiny fraction of the expected payoff, and the actual monetary and nonmonetary payoff has been many times larger than that. It will take a lifetime to repay the donors who financed my education.

Laurence Siegel, director of the CFA Institute Research Foundation:
After an accident in my beat-up old Mustang in 1979, I sued the guy who hit me and got a $5,000 check in 1982. After paying the lawyer, I put the whole thing in Vanguard’s S&P 500 index fund. I got in near the market bottom, and I still have the shares—in an individual retirement account, of course, so I’ve never paid any taxes on the gains, although I will. They’re worth about a hundred grand.

What made it the best investment? Paying a low price and holding on forever.

Daniel Loeb, chief executive of activist-investing firm Third Point:

Worst: It happened while I was in college and trading stocks in my spare time. I had made $120,000 and proceeded to invest all of it in an idea I was particularly passionate about: Puritan-Bennett, a medical-respirator manufacturer. The company suffered massive losses after its products were associated with several deaths. In the years it took to remake my lost profits, I had a lot of time to absorb the important lesson of not overconcentrating positions.

Jim Cramer, host of CNBC’s ‘Mad Money’ and a former hedge-fund manager:
Memorex Telex was by far the worst investment I have ever made. This computer-storage company had a terrific business but way too much debt. So in 1992 they filed a prepackaged bankruptcy that wiped out the stockholders.

I waited for the bondholders who got stock in the bankruptcy to sell it. I bought several hundred thousand shares at $2 when it started trading. It almost immediately dropped to $1.50, where I bought another couple of hundred thousand. In a few months the stock dropped to $1. At $1, I figured how much could I lose, so I bought another million shares. Next thing I know it’s at $0.625. I figured how much can you lose at 5/8ths of a dollar? So I doubled down again. Two million shares owned at 5/8ths of a dollar.

Sure enough, not only did Memorex Telex become one of the fastest companies ever to get through the bankruptcy process, it also became one of the fastest to go back into bankruptcy. How much could I lose? How about everything?

When you have a low-priced stock, don’t think to yourself, “How much more can I lose?” You can still lose everything from a lower dollar level.

Tony La Russa, chief baseball officer of the Arizona Diamondbacks and Hall of Fame manager

I really don’t know a whole lot about finances, but from day one, my wife and I, whenever we’ve done something in real estate, like a lot or a home, it’s turned out really well.

My worst investment was I invested with Balcor when I was with the White Sox, because that was Jerry Reinsdorf ’s company — my boss. It didn’t turn out great. It was toward the time when those real-estate syndicates were up here [holds hand above his head]. So I got in at the wrong time, which was my fault.

Aaron Vermut, chief executive of Prosper Marketplace, a peer-to-peer lender:
One of my worst investments was one that I made this year in an oil-fracking business in the Permian basin in Texas. I made the classic mistake of investing in an industry that I know nothing about because the deal looked like a no-brainer—large upside with limited downside, and people involved who were smart and rich natural-resource investors. The reality is that I was following a trend. I was late to the party and ignorant to the risks. The lesson I learned (again) is to stick to what you know, make sure you understand what you are investing in, and don’t chase trends.

Allan Roth, financial adviser and founder of advisory firm Wealth Logic in Colorado Springs, Colo.:

Best: I took my college graduation money back in 1980 and I bought gold coins at $664 an ounce. I was sure it was going to be worth at least $2,000 an ounce in about a year. Instead, it hasn’t kept up with inflation. It taught me I wasn’t as smart as I thought I was.

Worst: When I was 11, my family went on a cruise. My father gave me a handful of dimes, and we walked over to the slot machines, which were unmanned. With my second dime, I won $15. That taught me that making money gambling was so easy that I couldn’t wait until I was 21 to hit the casinos.

Ian Schrager, boutique hotelier, co-founder of Studio 54 and chairman of Ian Schrager Co.:
The best investment I have ever made by far and away is the time I’ve spent with my wife and family as well as the time I’ve spent with the people that I’ve worked with for a very long time over my career. The dividends I received from this have far exceeded anything I have ever received from all my investments combined.

—By Jason Zweig, Liam Pleven, Laura Saunders, Christina Binkley, AnnaMaria Andriotis, Robert Sabat, Dan Fitzpatrick, David Benoit and Brian Costa