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David Bach's Best and Worst Investments

The author of 'Smart Women Finish Rich' talks about getting rich in Tribeca, but not with Tykoon.

David Bach, a Morgan Stanley veteran, now writes personal-finance best sellers. **PHOTO:** DAVID BACH

By Chris Kornelis
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The first month that David Bach went to work with his father at Morgan Stanley in the San Francisco Bay Area in 1993, he sat in meetings with the widows of clients. He remembers two of these women didn't know the basics of money management because their husbands had handled all of the family's financial affairs. He watched his dad walk them through things such as writing checks, reading a brokerage statement and understanding from where their income was coming.

It gave Mr. Bach an idea.

He invited all of their female clients to a financial workshop, which ended up being more popular than the company's Christmas party. That presentation led to a book, "Smart Women Finish Rich," and that book lead to a best-selling publishing empire that has seven million copies of a dozen titles in print, including the inescapable wedding gift, "Smart Couples Finish Rich."

"My mission went from, 'How can I help my clients and my clients' kids?' " he says, to "How can I go out and inspire one million women to take charge of their financial security so that they can teach their kids how to do this?"

Today, Mr. Bach continues to write books and update his best sellers. He also is the co-founder of AE Wealth Management LLC in Topeka, Kan., a firm focused on helping retirees get the most "return on their retirement." Among other things, he creates training seminars for the company's financial advisers to give to clients.

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"People retire in their 60s, and in most cases they die in their 80s, if they're lucky," he says. "Their 60s is their best decade," he says. "It is their go-go decade. And the 70s is the slower-go decade. And the 80s is often the no-go decade." As such, he says, one of his missions is "to really inspire retirees to get their financial plan done, so they can figure out how to get most out of their first decade of retirement."

Here, Mr. Bach talks about which of his investments gave him the most—and which gave him the least—and what he learned from those experiences.

Best Bet: A Tribeca loft

Investment: $2 million

Gain: $1.5 million

Mr. Bach says that when he first became a financial adviser, he was given one of the most important pieces of advice he has ever received: "If you do for yourself what you do for your clients, if you're good in this business, you'll be wealthy for life. So, I have always made it a goal to manage my money the way I would manage it for a client."

He says one of the most foundational pieces of advice he used to give clients when he was an adviser was to own the home they live in. "I'm just a fundamental believer that you can't get rich renting," he says, although he says he does suggest renting first.

So, when he moved to New York from San Francisco in 2002, he rented a home for a year before deciding to buy a Tribeca loft in a building that was being converted into condos. He and his wife were certain they had picked one of the best units, and spent $800 a square foot, a figure that generated laughter from a potential mortgage broker. But they were smitten, so they spent $2 million on the home.

When they decamped for Battery Park City in 2007 so that their children could live across the street from a park, they listed and sold their home in a day—for $3.65 million. After commissions, they netted around $1.5 million.

The takeaway: Mr. Bach says the deal didn't always sound as sweet as it ended. After they agreed to pay $2 million for the loft, the market experienced a correction, and the price of units in the building dropped 25%.

On paper, they had lost all of the equity they had in the home. But rather than panic, they stuck with it. He says they felt confident holding on to the home because they loved the location, they knew they could afford the mortgage and they weren't thinking of it as a short-term investment.

"The lessons, I think are: Real estate comes down to location, real estate comes down to financing and it also comes down to time," he says. "There's never been a real-estate market that's gone down that hasn't recovered and gone higher. And it's the same lesson with the stock market. Things go down in the short term, but they always come back and go higher."

Worst Bet: Tykoon

Investment: $100,000

Loss: $100,000

In 2010, a friend introduced Mr. Bach to a startup called Tykoon, which wanted to develop an app and website that could help parents teach their children about money using their allowances. As a father and financial professional, he was interested. As an investor, he was excited about the prospect of going into business with the company's founder, Doug Lebda, the chief executive officer and founder of LendingTree.

At the time, Tykoon didn't have a website or an app. Mr. Bach wrote a $100,000 check based solely on a PowerPoint presentation. It didn't go well.

"The company went nowhere and did nothing," he says.

Perhaps worse, it was a bust with his target audience. "I showed the product to my kids and was so excited to show it to them, because they knew I had been working on it," he says. "They looked at it for like six minutes and then never looked at it again."

Mr. Bach lost his entire investment. Losing the $100,000 was painful, he says, but it was worse thinking what might have happened had he invested in LendingTree instead. LendingTree was trading at $3 around that time; this year it traded in the $400s before cooling off more recently.

For his part, Mr. Lebda says he believes Tykoon could still be a success, but trying to launch it in the wake of the financial crisis set him back. "The timing wasn't right," he says.

The takeaway: Mr. Bach decided that as a conservative investor he doesn't want to invest in companies before they have a product. So he no longer looks at startups that are in a seed round with no product or team yet built.

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"I want to come in after it has been built for two years, there's a team, they've made mistakes, they've learned from those mistakes," he says. "I want to come in after I've seen something getting off the ground."

Mr. Bach says it isn't that he believes it is foolish to invest in companies without a product, but he realizes that it is the wrong kind of investment for him.

"I don't need a 100x return on my money," he says. "I'm a more conservative investor. I want to have singles and doubles. I don't need to have a grand slam."

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