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Special Report: Mutual Funds Quarterly Review**Don't Play Favorites:
Seven Reasons to Index****By JONATHAN CLEMENTS**
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It's amazing how many people you can offend by being inoffensive.

Which stocks will beat the market? Which mutual-fund managers will rank as the next superstars? As author of The Wall Street Journal's Getting Going column, I have long urged readers to avoid such divisive issues.

Rather, I prefer a less-confrontational approach to investing. My advice: Don't play favorites. Admit you really don't know which stocks will sparkle and instead buy them all.

As it happens, the cheapest way to do this is through low-cost index funds, such as those offered by Fidelity Investments, **T. Rowe Price Associates**, **Charles Schwab**, TIAA-CREF and Vanguard Group.

Invest in index funds? In some quarters, that notion is taken as profoundly subversive, ranking right up there with Communism, public television and nonalcoholic beer.

"You're out of your mind," thundered a recent e-mail. "How much does Vanguard pay you?" demanded another. "Wouldn't it be more efficient to just put John Bogle on your payroll?" asked yet another, taking a swipe at Vanguard's founder.

It's hard to feel like a martyr when you live in the world's richest nation and work as a columnist for The Wall Street Journal. But this sort of stuff helps.

In fact, despite claims that indexing is boring, there are all kinds of pleasures that come with buying index funds and simply matching the performance of the market average.

Here's my list of the top seven reasons to index:

- ✧ Indexing means never having to say you're sorry. There's no thrill of victory. But there's no agony of defeat, either. Whatever the market delivers, that's what you get.
- ✧ Celebrated stock-picker Warren Buffett approves. "Most investors, both institutional and individual, will find that the best way to own common stocks is through an index fund that charges minimal fees," wrote Mr. Buffett in the 1996 annual report for his company, **Berkshire Hathaway**. "Those following this path are sure to beat the net results [after fees and expenses] delivered by the great majority of investment professionals."

- ⌘ Stress? Who needs it? Forget about following individual stocks and fretting about star fund managers. Instead, simply put 75% of your stock portfolio in a fund that tracks the Wilshire 5000 index of most regularly traded stocks and the other 25% in a foreign-stock index fund. Then sit back and wait for the good times to roll. True, you might not laugh all the way to the bank. But you will probably smile smugly.
- ⌘ There's no need to waste time checking the mutual-fund quotes. Was the market up yesterday? Your index funds probably were, too.
- ⌘ The meek really do inherit the earth. The index-fund investor's humility costs maybe 0.3% a year and sometimes less, which means you keep almost all of the market's gain. Meanwhile, your overconfident neighbors rack up huge investment costs as they try to find the next big stock-market winner. And the harder they try, the greater the costs they incur. Result: These folks fall even further behind the market average.
- ⌘ Both index funds and actively managed stock funds on average have lost money over the past year. But on April 16 (yes, the 16th this year), only the folks who own actively managed funds will be sitting around scratching their heads, wondering how their funds could simultaneously lose truckloads of money and still generate massive tax bills for shareholders via capital-gains distributions.
- ⌘ Getting an earful from your colleagues about their latest hot stock pick? As the owner of a Wilshire 5000-index fund, you can nod knowingly and say, "Yeah, I own that one, too."

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