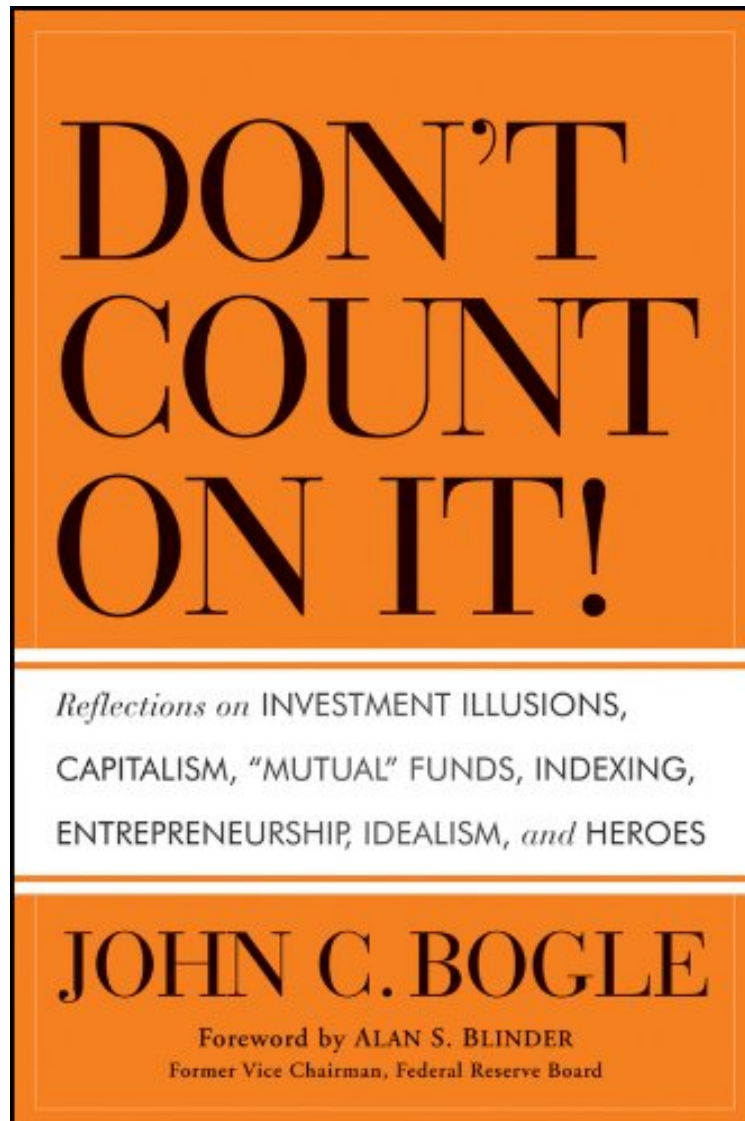


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Don't Count on It!: Reflections on Investment Illusions, Capitalism, Mutual Funds, Indexing, Entrepreneurship, Idealism, and Heroes

John C. Bogle

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John C. Bogle : Don't Count on It!: Reflections on Investment Illusions, Capitalism, Mutual Funds, Indexing, Entrepreneurship, Idealism, and Heroes before purchasing it in order to gauge whether or not it would be worth my time, and all praised Don't Count on It!: Reflections on Investment Illusions, Capitalism, Mutual Funds, Indexing, Entrepreneurship, Idealism, and Heroes:

100 of 102 people found the following review helpful. A Passionate Advocate for Investors By Adam Smythe This book covers a lot of ground, with 35 chapters addressing seven main themes over a total of 586 pages. If you are already very familiar with John Bogle (who has written many books and delivered countless speeches addressing investment topics over a very long career in investments), then there is precious little in this book that you don't already know. However, if you are an investor who isn't quite that familiar with Bogle, then you may find this anthology of his major essays and speeches over the last decade to be a very helpful introduction to important investment-related topics of today. Without divulging too much detail about the book, here's a relatively short guide to Bogle's topics. The seven parts of the book address:

1. Investment illusions. For example, as Bogle makes clear mutual funds taken as a whole simply cannot earn the markets' returns--because mutual funds have their own expenses. Indeed, Bogle's simple formula--net returns to investors = gross returns on assets minus the costs of operating the financial system--is pretty obvious, but one that investors tend to forget. Another illusion cited by Bogle is that mutual fund investors actually earn the returns of their funds. That is, if the XYZ mutual fund earns an average annual return of 8% over a 10-year period, chances are that XYZ's shareholders didn't achieve that 8% annual return, due to the well-documented tendency of investors to add to their investments when they feel optimistic (and markets are high) and reduce their investments when they feel pessimistic (and markets are low). Simply put, buying high and selling low reduces one's return.
2. The failure of capitalism. Bogle is actually a champion of capitalism, not some anti-capitalist critic. However, Bogle maintains that self interest and free markets alone won't necessarily guide an economy effectively. Rather, he says, there is a need for a broad fiduciary standard applicable to market participants, so that corporate managers, brokers, etc. put the interests of their shareholders and clients before themselves. (Some would argue that sufficient fiduciary standards already exist, but Bogle doesn't buy that argument.)
3. What's wrong with "mutual" funds? For starters, Bogle observes that "mutual" typically refers to an entity that's owned by its participants. In that case, only the Vanguard Group of mutual funds, Bogle maintains, is truly "mutual." Surprise, surprise--Bogle helped found the Vanguard Group.
4. What's right with indexing? Traditional indexing has taken a lot of flack in recent years, so Bogle (who helped start the indexing movement) fights back. He says the intellectual theory of indexing is not dependent on the notion of "efficient" markets, but rather on the concepts of low cost, diversification and tax efficiency. I admire Bogle as an honest and passionate advocate for investors, but I should note that not everyone will agree about the importance of the efficiency argument to the concept of indexing.
5. Entrepreneurship and innovation. I am taking more of your time than I planned, so I'll become briefer. In this part of the book, expect yet more of Bogle's characteristic idealism concerning the determinants of innovation.
6. Idealism and the new generation. Here we go again. More of Bogle's passionate arguments.
7. Heroes and mentors. We all owe a lot to those who have inspired and guided us, and here Bogle describes four men who were influential to him: Walter Morgan, Paul Samuelson, Peter Bernstein and Bernard Lown. In conclusion, if you are an investor who is concerned about the economic and investing environment in which you participate, and if you are not already familiar with John Bogle's thoughtful commentaries on a host of relevant topics, then this book would be well worth your careful consideration.

8 of 8 people found the following review helpful. Don't Count On It! By Denise Fitzsimmons Reading the works of John Bogle has changed my life. After spending a lifetime investing with various companies and working with at least three different financial advisors with only marginal success, I finally encountered my first Bogle book some dozen years ago. I began reading Bogle then and have continued through these past dozen years continuing with his latest title Don't Count On It. In each of his works he speaks to the layman in a clear, well documented style with occasional references to figures from history or literature. None of his writing is dry economics text. His major emphasis on "costs matter" are eye opening to investors trying to accumulate a nestegg for retirement. He shows in great detail the impact of various fees and transaction costs charged by actively managed mutual funds. Intermediation costs ultimately detract from whatever the market is able to deliver, and investors realize only the sum available after these various fees are imposed. Bogle discourages frequent trading because of the costs involved and counsels investors to diversify in low cost stock and bond funds and then "stand still" with an eye toward investing for the long term in order to accumulate the market's returns for retirement. Young and old alike will learn from the wisdom of John Bogle. He is the founder of index giant Vanguard, and yet he has no equity position in the company. Don't Count On It is a summation of this great man's philosophy and sage investment advice.

0 of 0 people found the following review helpful. Repetitive By hospital cop 612 The author makes a very compelling argument for a potential investor to seek out mutual funds with the lowest possible cost. He also defends his position with backdated data. He demonstrates that the mutual fund with he started, Vanguard, has been a superior performer and a low cost leader in the industry for the past several years. But after reading half of his book I found that he simply repeated his arguments over and over again. It was almost as if he was saying to his historical detractors: "Ha! I told you it would work!" "Look at me now!" Sadly, after being interested in his argument at the beginning of the book, I found myself skimming the latter half to get to the end. Hey, but on the bright side, I bought me some Vanguard Mutual Funds and they are doing well.

Praise for Don't Count On It! "This collection of Jack Bogle's writings couldn't be more timely. The clarity of his thinking and his insistence on the relevance of ethical standards are totally relevant as we strive to rebuild

a broken financial system. For too many years, his strong voice has been lost amid the cacophony of competing self-interests, misdirected complexity, and unbounded greed. Read, learn, and support Jack's mission to reform the industry that has been his life's work." —PAUL VOLCKER, Chairman of the President's Economic Recovery Advisory Board and former Chairman of the Federal Reserve (1979–1987) "Jack Bogle has given investors throughout the world more wisdom and plain financial 'horse sense' than any person in the history of markets. This compendium of his best writings, particularly his post-crisis guidance, is absolutely essential reading for investors and those who care about the future of our society." —ARTHUR LEVITT, former Chairman, U.S. Securities and Exchange Commission "Jack Bogle is one of the most lucid men in finance." —NASSIM N. TALES, PhD, author of *The Black Swan* "Jack Bogle is one of the financial wise men whose experience spans the post–World War II years. This book, encompassing his insights on financial behavior, pitfalls, and remedies, with a special focus on mutual funds, is an essential read. We can only benefit from his observations." —HENRY KAUFMAN, President, Henry Kaufman Company, Inc. "It was not an easy sell. The joke at first was that only finance professors invested in Vanguard's original index fund. But what a triumph it has been. And what a focused and passionate drive it took: it is a zero-sum game and only costs are certain. Thank you, Jack." —JEREMY GRANTHAM, Cofounder and Chairman, GMO "On finance, Jack Bogle thinks unconventionally. So, this sound rebel turns out to be right most of the time. Meanwhile, many of us sometimes engage in self-deception. So, this book will set us straight. And in the last few pages, Jack writes, and I agree, that Peter Bernstein was a giant. So is Jack Bogle." —JEAN-MARIE EVEILLARD, Senior Adviser, First Eagle Investment Management Insights into investing and leadership from the founder of The Vanguard Group Throughout his legendary career, John Bogle—founder of the Vanguard mutual fund group and creator of the first index mutual fund—has helped investors build wealth the right way, while, at the same time, leading a tireless campaign to restore common sense to the investment world. A collection of essays based on speeches delivered to professional groups and college students in recent years, in *Don't Count on It* is organized around eight themes Illusion versus reality in investing Indexing to market returns Failures of capitalism The flawed structure of the mutual fund industry The spirit of entrepreneurship What is enough in business, and in life Advice to America's future leaders The unforgettable characters who have shaped his career Widely acclaimed for his role as the conscience of the mutual fund industry and a relentless advocate for individual investors, in *Don't Count on It*, Bogle continues to inspire, while pushing the mutual fund industry to measure up to their promise.

Don't Count on It! is a wise book. As most traders and investors remain convinced that they can beat the market, it's always sobering to hear a compelling voice from the other side. (Seeking Alpha) "If Bogle writes it, it's worth reading. His latest, *Don't Count On It*, is a collection of 35 essays, every one of them filled with wisdom and insight. . . While I have read Bogle's views on these issues many times, I'm always impressed with the quality of his writing (Where else can you read quotations from Adam Smith to Winston Churchill to Cato?), the wit and humility he shows and his passion to help investors. The book is a compelling read, one that in effect tells the story and mission of a great man. We're lucky and privileged to have him fighting on our side. As Bogle noted in his book, Machiavelli described the accumulation of worldly 'glory' as the motivating principle that drives leaders to undertake 'great enterprises' and do 'great things' on behalf of their fellow citizens and not just themselves. Hard to find a better description of Bogle himself." (MarketWatch) "Mr Bogle's prescription for a better system is relatively simple: to demand proper fiduciary management from money managers. They must prioritise client interests, act as responsible corporate citizens, charge reasonable fees and eliminate conflicts of interest. Amen to that. It may sound like nostalgia from an old-timer, or idealism from a visionary. But without such changes, investors and society will continue to be short-changed as the financial community carries on regardless." (Financial Times) "In *Don't Count on It!* Reflections on Investment Illusions, Capitalism, Mutual Funds, Indexing, Entrepreneurship, Idealism, and Heroes, Bogle hammers at what he labels the cost matters hypothesis: Whether markets are efficient or inefficient, investors as a group must fall short of the market return by precisely the amount of the aggregate costs they incur. It is the central fact of investing. Not surprisingly, the book deals extensively with the low-cost innovation for which Vanguard is best known: the stock index mutual fund. When the company first made indexing available to small investors in 1975, critics derided the notion as Bogle's folly. To Bogle, however, the benefits to investors were irrefutable. . . The impact of indexing has been so great that a second, hugely important contribution by Vanguard has been overshadowed. Vanguard originated the now standard segmentation of bond funds into short-, intermediate-, and long-term varieties. Bogle was enshrined in the Fixed Income Analysts Society Hall of Fame for this innovation. The author of *Don't Count on It!* does not dwell on such honors, which include being named one of the world's 100 most powerful and influential people by Time magazine. In fact, Bogle devotes the final section of his book to tributes to four of his own heroes: Walter Morgan, economist Paul Samuelson, investment guru Peter Bernstein, and Dr. Bernard Lown, a Nobel laureate whom he credits with keeping him alive in defiance of a mystifying heart ailment. Bogle also shows modesty in sharing credit for his contributions to the field and in downplaying his own theoretical expertise. His unashamed display of such old-fashioned virtues, as well as his

heretical view that running a business is not entirely about maximizing the wealth of the owners, has earned him the nickname "St. Jack" (Financial Analysts Journal) From the Inside Flap In his Foreword, former Federal Reserve vice-chairman Alan S. Blinder writes, "America's vaunted financial system let us down big-time during the raucous decade of the 2000s." In *Don't Count on It!*, John C. Bogle—a man Dr. Blinder refers to as "the conscience of Wall Street"—identifies modern capitalism's flaws, explains how we arrived at this economic crossroads, and examines how we can begin to repair the damage before it's too late. *Don't Count on It!* presents an anthology of Bogle's latest thinking, focused on how numbers deceive us into seeing things as other than they really are. He also presents a cogent analysis of the chinks in the armor of a financial system that has failed to live up to the responsibility owed to its individual and institutional investors. Read and learn from the wise counsel of Vanguard's founder about how we deceive ourselves into accepting illusory and evanescent numbers rather than focusing on fundamental and intrinsic reality. Bogle argues that we confuse the market of real investing with the market of expectations, disregarding the beauty of simplicity in favor of the wizardry that creates complex "products" that serve Wall Street at the expense of its clients. Specifically, Bogle discusses: The unconscionably high costs of financial intermediation The disgraceful failure of money managers and agents to abide by what should have been traditional fiduciary standards The unfortunate consequences of the dominance of short-term speculation over long-term investment The subjects of Bogle's anthology go well beyond the investment markets, as indicated by the seven sections of *Don't Count on It!*—Investment Illusions, The Failure of Capitalism, What's Wrong with "Mutual" Funds, What's Right with Indexing, Entrepreneurship and Innovation, Idealism and the New Generation, and Heroes and Mentors. His book encourages readers to better understand our complex financial system, to examine it, to debate it, to challenge it, and to fulfill our duty to ask simple questions and demand answers that are understandable, intelligent, and, above all, wise.