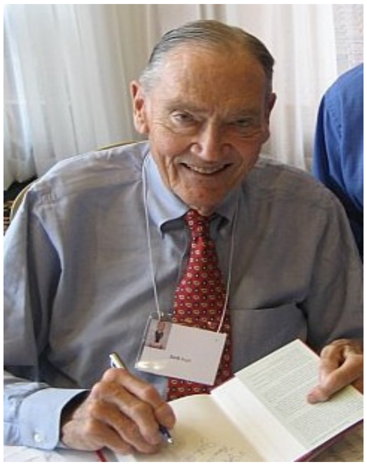

LCBS-2024-02-16-BookReview-LittleBookOfCommonSenseInvesting-JackCBogle.pdf

DISCLAIMER - I am not a Financial Advisor and do not work for any Brokerage Firm. The opinions given are of my own and are not to be used as professional advice. These are my findings and can hopefully help you to make informed decisions on investing. Consult a Broker or Lawyer before making any investment.

The Little Book of Common Sense Investing - Jack C. Bogle

About 12 years ago, I read the book "The Little Book of Common Sense Investing" by the late Jack C. Bogle. Jack C. Bogle was one of the great minds in the investment world and his Vanguard group of investments is still one of the best. Mr. Bogle died in 2019, but his legacy lives on. He was the first person to create a full index Mutual Fund using the full stock market as its basis.

Today many ETFs try to mimic his designs. Three great ETFs (Exchange Traded Funds) that I have owned for years are the I-Shares ITOT, the Vanguard full stock market index VTI, and the Schwab Full Market Index SCHB. Another great one that is not the whole market but is the S&P 500 that is doing great is the Vanguard VOO. I read this week that renowned investor Warren Buffett has instructed his estate to invest his money into VOO giving you an idea of how much Warren Buffett regards this Vanguard ETF.

No investment book has ever affected me as much as The Little Book of Common Sense Investing. I have used full stock market ETFs for the past 12 years in at least 25% of my portfolio. Probably the years that I used them for 50% were the years I had the best returns, so don't discount the importance of reading this book.

Here are some of the insights I gained from The Little Book of Common Sense Investing.

1. **In his book, he explained that only 2% of the people making marketing decisions on Mutual Funds can outperform the full stock market index. And if you invest your money with one of those in the top 2, next year they will not be in the top 2% slot. One exception to that rule was Peter Lynch and his fantastic Fidelity Magellan fund. He consistently outperformed the market for many years. But the truth of the matter is that no matter how smart you are, you are hard-pressed to beat the 'average' of the whole stock market. I really took this to heart and over the past 12 years, the full stock market ETFs in my portfolio have outperformed all my other investments.**

2. **Successful investing is all about common sense. Coming up with a completely concise solid plan and sticking to it is a theory for success. A person moving money in and out of the market does not normally make as much as the person who has a fully diversified plan and sticks to it. Simple arithmetic suggests and history confirms that the winning strategy is to own all of the nation's publicly held businesses at a very low cost. This way you receive all their dividends and share in earnings growth.**

3. **Over the past century, corporations have earned a return on their capital of 9.5% per year. If you compound that over a decade, each $1 invested goes to $2.48, in 20 years $5.14, 30 years $15.22, and 50 years: $93.48. Think of what compounding does for you. $1 invested in the average in fifty-years grows over 90 times its initial value. Capitalism works and creates wealth.**

4. **Scattered throughout the book are little boxes with the heading "Don't Take my Word for It" and Mr. Bogle has industry leaders speak out on their opinion of the full stock market index. It would take a 20-page review to list them all, so I will just pick a few. Jack R. Meyer, former President of Harvard Manage Company said this. (He took the Harvard Endowment Fund from $8 billion to $27 billion during his management.) The investment business is a giant scam. Most people think they can find managers who can outperform, but most people are wrong. I would say 85 to 90% of managers fail to match their benchmarks. Get diversified. Come up with a portfolio that covers a lot of asset classes. And keep your fees low.**

5. **Princeton professor Burton G. Malkiel, author of A Random Walk Down Wall Street expressed his view: Index funds have regularly produced rates of return exceeding those of active managers by close to 2 percentage points.**

6. **Peter Lynch, legendary manager of the Fidelity Magellan Fund said in Barron's Magazine "The S&P is up 343.8 for the last 10 years. General equity funds are up an average of 283 percent. So it's getting worse and the deterioration by professionals is getting worse. *"The public would be better off in an index fund."***

7. **Tyler Mathisen, then executive editor of Money Magazine, conceded the point. *"For nearly two decades, Jack Bogle, the tart-tongued chairman of the Vanguard Group, has preached the virtues of index funds—those boring portfolios that aim to match their performance of the market barometer. Well, Jack, we were wrong. You win. Settling for the average is good enough for a substantial portion of most investors' stock and bond portfolios.***

So what can we conclude from this book? Believe that the average is the way to go using full stock market indexes. I have proven it in my portfolio for the last 12 years. Over the past 15 years, the stock market has consistently put out average yields above 12%.

Get a plan of action, and then hold the market portfolio forever. That is what the index fund does. The investment philosophy is not only simple but elegant. The arithmetic on which it is based is irrefutable, but it takes discipline to stick with even a simple plan.

Consider the full stock market indexes in your investment plans. I try to keep at least 25% of my investments in full stock market indexes and have had great success with them over the past 12 years. Right now in these days when we have these massive losses on the market, it is a good time to consider buying in on some of the full stock market indexes or buying in on some mutual funds based on full stock market indexes.

All this information is for your reading enjoyment. No one can predict the future, but if history repeats itself (and many times it does), then a good long-term bull market may be around the corner.

List of All Investment Articles

List of all Minimalism Articles

Internet Direct Laptops