Jack Bogle, was not only an American investor, but also a business magnate, and a philanthropist. The investment legend passed away last month, leaving us with some of the timeless lessons on investment.

He pioneered the world's first index mutual fund and opened up the possibilities of investment to the retail customers. His own firm—The Vanguard Company, became one of the largest index fund providers to offer a low-cost entry point for investors globally; and is, even today one of the most respected and successful corporations in the investment world.

Titled «one of the four investment giants of the twentieth century» by «Fortune Magazine» in 1999, he directed Vanguard to deliver superlative value to millions of hard working low and middle class who were seeking to grow their savings and realize their dreams. To commemorate John C. «Jack» Bogle (pictured above), we summarise some of the most
important investment tips that he has spoken about time and again.

1. Investing is a Must

According to Bogle, the biggest mistake anyone can make is to NOT get involved with investments. Yes, investing might not be a sure-win thing. But if you do not invest, you will definitely lose. Just think about how the value of money in your bank account is being eaten away by inflation.

A dollar today would be worth a fraction of its cost 10 years down the road. Thus, why would you want to put yourself in a losing position? It is natural for financiers to be worried about the volatility in the stock market. But here’s the trick, according to Jack Bogle, the biggest risk that investors face is not the short-term volatility of share prices, instead, the risk lies in the little or meager returns on your capital as it accumulates.

Thus, NOT investing your money is the guaranteed route to ‘nothing’! Hence, investment is a
must regardless of age, class, race, language, or religion.

2. Don’t Be Fixated With the Market

While everyone should be investing, Bogle said: “Don’t be fixated with the market. Instead, focus on the fundamentals of the company or economy that you are investing in.” Although there is a dollar value assigned to each stock counter, it is merely a value that investors put on the stock.

This means that it is subjected to the perspective of investors at each point in time. As such, the stock market is prone to noise and goes up and down as investors’ perspective changes. These stock market movements can be a huge distraction to your investing, especially for new investors who are not used to movements in the stock market.

If you are investing in the market and become too fixated with the market, you will be prone to making irrational decisions like selling low and buying high.
3. Invest in Index

Everyone is trying to outsmart each other in the stock market. Why? It is only when you outsmart others that you can get the most return. But there are two problems with this strategy. The first is that it is difficult. Obviously, outsmarting another smart person is tough enough, let alone trying to outsmart the rest of the world!

The second problem is ‘effort’. Is the effort put into outsmarting every one translating to investment returns that justify it? Imagine having to clock in double the hours into research to only get a 5 percent increment in investment return. For years, many top funds have spent effort and money in hiring the best talents that they can get their hands on.

In Bogle’s Words

Yet, 80 to 90 percent of these funds did not manage to beat the market (e.g. benchmark index like STI, DJIA, Nasdaq). If you need some more evidence to convince you, check out the
Warren Buffett (pictured above) challenge. The index fund that Buffett chose beat the hedge fund portfolio hands down.

All Buffett had to do was to pick an index fund he liked and invest in it. So, in Bogle’s words, why not just invest your money in the index rather than relying on the stock-picking skills of fund managers (or yourself)?

4. Invest in Low-Cost Funds

One of the most important investing lesson that Jack Bogle strongly advocates actually involve primary school mathematics. This lesson is best summarised by the following equation: Net return = Investment return – Cost Typically, investors put their focus on the investment return of their portfolio and seldom care about the cost that they have to deal with, in order to get these returns.

However, basic math concepts demonstrate that generating high investment return is as
important as keeping the cost down if you want to get a positive net investment return. One of the largest components of cost in investing is the fees. Fees such as commission and management fees have a significant impact on investors’ net investment return.

Pretty Stretched

For example, the management fee in unit trusts can be anything from 1 percent to 5 percent of your invested capital. The STI’s 10-year annualized return is 9.2 percent per annum. In order for any managed fund (e.g. unit trust) to beat the STI, it needs to achieve at least 13 percent investment return per annum.

For anyone who has tried their hands on investing, you will know that 13 percent sounds like a pretty stretched target. The only person who can beat 13 percent consistently is probably Buffett! (whose annualized return is ~21 percent) So, here’s what Bogle suggested for commoners: Invest in a low-cost fund, i.e. an exchange traded fund (ETF). Keeping your investment cost as low as possible lets you keep most of the gains from the miracle of compounding returns.

There are increasingly more options for you to invest at a low cost, especially with the rise of the robo-advisory industry. If Bogle was still alive, we think that he would advocate robo-advisors as another good source of low cost investing.

5. Time is Money
«I don’t know how», «I’m not a good investor yet», and «I need to hone my investing skills more» are common excuses beginners give if they are not investing. However, if you have time on your side, you can negate the impact of being a beginner investor. Investment success takes time, so you need to give your investments time in order for them to be compounded.

In the long run, time helps you to turn from an average investor to (at least) an-above average investor with a decent investment return. Even modest investment in tough times will help you work towards growing your assets.

6. Don’t Get Emotional
The ups and downs of the stock market could often take your heart on a roller coaster ride! This is why it is commonly said that stock market investments are not for the faint-hearted. Further, if you have the fear of missing out (FOMO), it means that you are letting your emotions take over the driving seat in your brain and push you towards irrational decisions.

Here’s why emotion is your worst enemy and why you shouldn’t let your emotions take over you. Think about a stock that you are interested to invest. However, you think that the price is a tad too high at the moment. You decide to bid your time. Over the next few days, the stock continues to trade around the same price, which is still a bit high for your liking.

**Fear of Missing**

Then, here comes the moment. The share price suddenly shoots up 5 percent due to positive news that it is making a new investment in a revolutionary technology. What do you do now? Do you wait, or not? Most investors who are new to the world of investing will get FOMO. «What if I miss this chance and miss the boat entirely?» is the most common reason.
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Better to pay a higher price than to pay the price for missing the boat right? In this case, Bogle suggested that the siren song of the market is there to seduce you into buying after the share price has soared. If you can’t control your emotions, it is only a matter of time that it will kill your investment capital.

Two Reasons

Over the years, many of Bogle’s disciples have, after 10 to 20 years, had returns in the top 20 percent of all investors. It is speculated that this could be for two reasons, partly because index funds are unlikely to fall behind, and partly because other investors tend to trade in counterproductive ways.

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