

The Pioneer of Index Investing: John Bogle's Legacy

Written by Jake Rickord

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John C. Bogle was one of the most recognized and respected names in the investment community when he passed away this January. His research and intellect drove him to found one of the world's largest investment companies, Vanguard, which operates as a leader in cost-efficient, diversified mutual fund and ETF markets.

And how did Vanguard get to be such an influential company in the marketplace? Among many other factors, it stemmed from John Bogle's view of the financial landscape, and how he could make it better for investors. In 1974, when John first started Vanguard, he brought with him a passion for affordable, smart investing; he theorized that in a market that consisted solely of active managers seeking to beat benchmarks, he could succeed by simply *being* the benchmark (or closely following it). From this, he would generate the strategy of index investing, which consists of passively managing a fund that closely mirrors a common index, such as the S&P 500, the Bloomberg Barclays Global Aggregate, or many others. This development revolutionized the investment industry by letting investors participate in the market without paying expensive management fees that go towards attempting to beat the market. Instead of paying operating expense ratios (which represents all management fees and operating expenses for a security) of somewhere on average of 0.5% to 2.5% or higher for an actively managed mutual fund, these passive index funds on average have operating expense ratios of only 0.2%! As a result, investors returns would no longer be dulled from these high management costs.

His unique and interesting idea soon caught on. In fact, as of today, these index followers now make up 43% of all stock funds in the market! Index funds seemingly create an opportunity for anyone to jump in and be a part of the markets with little to no investment costs, almost complete transparency, and simplicity, which has led to their widespread popularity, all because of John Bogle's innovative mind.

Beyond this, John was an active member in the community, often sharing his opinion and advice through his speeches and TV appearances, and brought with him a great deal of

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philanthropy through his service work and his charity (notably donating much of his salary to charities).

All encompassing, John Bogle was a great man that will be missed in the world as a whole. However, he did leave behind a legacy of inspirational writings, teachings, and actions that we can all learn from. He also left behind the core ideas of his investment philosophy:

- A focus on simplicity in investment strategy
- The reductions of costs and expenses
- Consideration of the long-term investment horizon
- A reliance on rational analysis and an avoidance of emotions in the investment decision-making process
- The universality of index investing as an appropriate strategy for individual investors

At DWM, we keep all of these, as well as many other factors, in mind when we develop our portfolios and investment strategies. While we always attempt to keep transaction costs down, we are also always looking at the other options in the market to reduce costs, increase portfolio simplicity, and maximize diversity to protect our clients first and participate in market earnings second.

Furthermore, we analyze all holdings as well as client allocations to ensure their long-term goals are achievable not only through their portfolios, but also through our various other value-added DWM services such as tax planning, estate planning collaboration, risk management reviews, etc. Through these, we hope to put our clients' long-term financial plans in focus, and help ease their worries about the market and their economic situation.

While we and countless others inside and outside of this industry mourn John's passing, we also seek to celebrate his life and his impact on our lives. And we believe the best way we can do this is to embrace some of these ideals John shared with us, through helping our clients manager their financial plans and keep their long-term goals on track through simple, low-cost, efficient investment choices.