Survive and Thrive June 2024: Are You Still with Vanguard, and Are You Concerned?

Dear Survivor,

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A long time ago, Vanguard founder Jack Bogle came up with a novel idea for a mutual fund company. Keep fees low, passively mimic the market, and let the shareholders mutually own the company. Then he went out to tell the world about his anti-Wall Street creation and thankfully had help along the way.

In his monthly newsletter Richard C. Young's Intelligence Report *(IR)*, Dick Young echoed Bogle's low-cost investing approach to his tens of thousands of readers. According to Bogle, Dick Young brought more investors into the Vanguard fold than any other newsletter writer. *IR* was sophisticated but still packaged in an easy-to-understand format investors could trust. Dick's recommendations for Vanguard held weight with readers.

Fast forward to today, when the pressure on Vanguard to create other sources of revenue is huge. Passive index funds/ETFs have been a wild success. That success inspired a lot of competition, and that competition brought lower fees, which have been driven down close to zero dollars. Now Vanguard is bringing in a rainmaker from BlackRock to man the ship.

The reality of passive investing is that the passive index fund has become a commodity. Passive indexes are navigated with the intelligence of a self-driving car. All's good until something wrong happens. And not everyone's ready for that. Not everyone understands how dangerous trillions upon trillions of dollars can be when it's stuffed into the same car.

This means those still with Vanguard should undergo a necessary reality check: who's running your money? If you have money there, you see the emails, you see the hard sell to become your active manager with passive funds, and you see the target date funds or something similar being offered. The reversal for more fees continues.

What you don't typically see recommended are the Vanguard Wellesley or Wellington funds. They're managed by The Wellington Group, up the road from me in Boston, MA. Vanguard pays them as the sub-advisor.

And yet, these legendary funds can be held at my favored Fidelity Investments, which is still a family-run operation. An operation that isn't pressured for more earnings growth.

If you're still with Vanguard and share my concerns, we should talk. The grass can be greener.

A Return to Gold Standard Would Work Wonders

Are you heading abroad this summer? Good timing. As Your Survival Guy discovered before his recent trip across the pond, the US dollar carries some weight. Not exactly par with the pound or euro but solid compared to the last decade or so of taking trips to Europe, mostly to Paris. But like the upcoming [Paris Olympics](), this is a competition between currencies. What will be the catalyst to keep buyers coming back for more US dollars? What's a better solution to keeping the crown on "king" dollar? A return to the gold standard.

In the early 70s, my father-in-law, Richard C. Young, had a front-row seat as a currency expert when Nixon closed the gold window. And what a terrible mistake Nixon made.

Steve Forbes explains in his *Forbes* magazine's June/July Fact & Comment that "The U.S. was on a gold-based system for 180 years until the early 1970s. We never had inflation when the dollar's value was tied to the yellow metal, and the U.S. experienced the greatest long-term economic growth in human history."

Fast forward to today.

The Federal Reserve would do all of us a whole lot of good if it pegged the dollar to gold rather than play games with interest rates. Stability is what we crave, yet the Fed turns a blind eye to the malfeasance big government does by "helping" with the destructive forces of creating more dollars out of thin air. Returning to a gold-type standard would bring back monetary discipline—a politician's worst nightmare.

Don't hold your breath for an overnight return to monetary discipline. But it could happen in our lifetime. Don't fail to act. Get your own money in order.

The Intelligent Investor: Controversy Choosing the Best Stocks

"Thus, this matter of choosing the 'best' stocks is at bottom a highly controversial one," wrote Ben Graham in his masterpiece *The Intelligent Investor*, the definitive book on value investing described by his former student

Warren Buffett as, "By far the best book on investing ever written."

"Our advice to the *defensive investor* (Your Survival Guy's emphasis) is that he let it alone. Let him emphasize diversification more than individual selection."

That's right, the defensive investor, not "Mr. I Own This Incredible Stock."

Because it's the defensive investor who appreciates what he has. The defensive investor understands how hard he worked to get to where he is. That's the very reason he's defensive. The cost is too high to reproduce it all, and most of all, there's not enough time.

In my conversations with you, I understand who you are, my defensive investor, because you tell me your story. Many of you would be just fine collecting interest from savings, but you realize you can't do that and keep up your purchasing power, especially in these inflationary times. Therefore, you're resigned to invest in the market, but not without help from an expert.

You deserve to work with someone who understands you. When you're ready to tell me your story, let's talk. I'm all ears. But only if you're serious.

Survive and Thrive this Month.

Warm regards,

"Your Survival Guy"

- If someone forwarded this to you, and you want to learn more about Your Survival Guy, read about me here.
- If you would like to contact me and receive a response, please email me at ejsmith@yoursurvivalguy.com.
- Would you like to receive an email alert letting you know when *Survive and Thrive* is published each month? You can subscribe to my free email here.

P.S. When you have a lot to lose, you understand risk. You understand what it takes—and what it took—to get to where you are. You think about risk and wonder: why chance it? This is where Your Survival Guy and Gal found themselves on a recent Saturday morning. Should we take the boat to see my parents over in Mattapoisett?

There was a small craft advisory, but that's not always a deal breaker, especially when it's the beginning of the season, and you want to run the boat.

But this is the beginning of another season, the one where our kids are home from college.

We were having a nice time talking, and we were in no rush to hit the water. The forecast for Sunday wasn't much better; small craft advisory plus rain. At first, we decided we would just go by boat and deal with the weather. But then we decided to take our time and drive to my parents' house later. But then indecision set in again, and I suggested we pack for the boat and go down to the slip and see what it's like.

Pulling into the marina, we saw white caps in the harbor and flags blowing horizontally. "Ahhh, maybe we drive," we agreed. We don't need to beat ourselves up.

Back at the ranch, we hung out some more with the kids and had a nice early afternoon before heading by car to my parents' house.

Calling my dad from the car, he just said, "Too windy?"

"Yep, see you soon," I said.

Sometimes, getting from A to B doesn't happen just how you planned it. But that's OK. You want to enjoy life at your own pace and allow the unpredictable to help you make good decisions. And sometimes it's what you don't do that ends up being the best decisions and memories. Choosing to do nothing is still a decision, and it can be just as hard to make.

P.P.S. You've read here from Your Survival Guy that the data centers that will power AI, the cloud, and crypto will need a massive amount of electricity. America's abundant coal and gas power are being shunned by radical Washington, D.C. progressives, and despite every effort and subsidy, solar and wind can't possibly fill the demand from data centers. That leaves nuclear power as the one potential option currently on the table. Chris Womack, the CEO of Southern Company (owners of the Vogtle Plant), has suggested that he expects more commitments to build nuclear power in the U.S. by 2030. *Reuters* reports:

> Southern Company began commercial operations on its Vogtle 4 reactor this year as part of the first nuclear power plant to be constructed in the country in more than 30 years.
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> "You're seeing them now show up in a number of integrated resource planning processes," Womack said at the American Nuclear Society conference in Las Vegas. "The question becomes: is there willingness to push through?"
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> Womack said he expected announced plans in 2027 or 2028 to construct similar reactors, which are larger than the advanced small modular reactors that have not yet been built in the country, although he did not specify which companies would make the announcements.

There's more than one way to approach artificial intelligence and the growth of data centers as an investor.

P.P.P.S. So, what do you do if you're stuck in a big box finance house where you're the product they're selling to? Times have changed at the likes of Vanguard and BlackRock. You know my favored relationship with Fidelity through the years from here, here, and here. I'm a big proponent of consolidating assets with Fidelity. I love their reporting, their website, their customer service, and the fact that I know who we're dealing with.

And it's not hard at all. If you have Vanguard funds like Wellington and Wellesley, you can transfer them in-kind (as is without selling) to Fidelity. And you won't miss a beat. Understand Vanguard outsources the management of both funds to The Wellington Group based in Boston, MA.

But here's the thrust for action. You can't afford to be treated like just a loyalty card number. You need to be intimately known by the person handling your life's savings. He needs to know you. This is a relationship business. That will never change.

What Vanguard and BlackRock are missing here as victims of their own size, is that founder Jack Bogle and Richard C. Young, through his *Intelligence Report*, shepherded their flock of investors in the door because they were trusted advisors—not because they were the biggest, or because they offered a loyalty card.

The problem now with the big-box grocery store style relationship you get from the big three money managers (State Street) is that the departments don't know you. They only know loyalty card numbers. They only know someone needs cupcakes, a bag of salad, and hamburger meat. Then, you need to read the prospectuses on everything to know if what you're getting is good for you. And you thought you were retired. And don't even get me started on the self-checkout.

You worked your whole life to have the retirement you deserve. You deserve better than being treated by your loyalty card number. It's time to push back. "Cleanup on aisle six." When you want personal service, let's talk.