SPECIAL CONFESSION: Why I'm Being Hard on Vanguard

Dear faithful readers, here it is, the piece you've all been waiting for: Why I'm being hard on Vanguard.

I know you want me down on my knees. You want a confession of sorts. You want answers. Just yesterday, you told me: "You sound like a man possessed, a maniac. My family has money at Vanguard. Why don't you make the case for your own services? Explain to me why you like dividend-paying stocks over mutual funds and ETFs, why you like individual bonds, and why I should pay your FEE?"

"OK, I will," I said.

Can I get an Amen?

First off, you may have read I have huge concerns about Vanguard and the direction it's headed, and I'll continue to be on this like white on rice, so don't be a stranger to my daily intelligence report of sorts (I know you miss the original, who doesn't?). And if you're new to Your Survival Guy, begin with my SPECIAL REPORT: The Trouble with BlackRo… er… ummm, Vanguard.

Let's dig into this. What I like isn't about me or you. It's what Richard C. Young laid out in his monthly Intelligence Report for decades to tens of thousands of readers, explaining how investing is about being paid, not speculating

prices. Plenty of eyes would roll then, and still do, until, like clockwork, it turned out he was right. Can't argue with the truth. Which is why at his firm, run by his son Matt, the focus continues to be on DIVIDENDS, like religion.

Prices, as some of you may know, come and go. Alternatively, income and dividends represent cold, hard cash. Prices are qualitative—a culmination of opinions. Opinions of, I will not use the word investors, but rather speculators, wishing and hoping to have enough for that second home in the Keys, trip to Le Bristol in Paris, or the new Porsche 911 GTS (nice review in Robb Report). Dividends and interest are quantitative. Let me explain.

There are plenty of weary souls, unknowingly, in many cases, betting their retirement on a handful of S&P 500 stocks. They think they're diversified, as the name implies, but there's more to a name. They don't realize a handful of companies are racing around the track while the other 496 have about as much impact on the final results as the guy selling popcorn.

I'm not eschewing the lucky winners. They play a role in portfolios. But one that's not always in the limelight like AI is today. AI and the like need to get in line, often behind dividend payers, and do their part. There are plenty of ways to invest in the nuts and bolts of the big racers in AI—utilities and energy being one small example. After all, AI doesn't run on air. But our rules of the road are not for everyone.

When you consider the car wreck mutual fund companies (Vanguard, BlackRock, and StateStreet) have made of this business, you begin to see clearly the case for owning stocks and bonds individually.

Today, there are three times, let me repeat, three times as many mutual funds and ETFs as there are stocks available to invest in. Spencer Jakab explains in *The Wall Street Journal*, "Americans have rarely been as excited about stocks as they are today and have never had as many ways to slice and dice the market cheaply, but they are ordering from a shrinking menu: There are now close to three times as many stock funds available to them as listed American companies. Even though an unprecedented 70% of the world's stock-market value is American, including all 10 of the most valuable companies, fewer than 10% of listed companies in the world were in 2022, according to the World Bank—less than half the proportion of the late 1990s."

With funds outnumbering stocks by three to one, imagine the funds that are losing money or are soon to be out of business. And yet there will be winners where the past performance will be sold ad nauseam to the ill-informed. It's just throwing stuff at a wall to see what sticks and sell, sell, sell. That's not investing.

It reminds me of commercial air travel with the likes of Expedia jamming flyers into a fixed number of seats (stocks/bonds) like sardines. Understand, dear reader, Your Survival Guy prefers to fly private on the Global Express 7500. Do you want your financial advisor treated like canned fish, not sharp, not clear-headed, and rested to speak with your venerable self? I didn't think so.

Which brings me to bond mutual funds and ETFs. In a word: LACKING. Like canned fish, you're packaged up with others who barely know you. Then, one day, the owner (fund manager) peels back the cover because a sardine, we'll call him "Bob," wants out. Now everyone's awake from their slumber. Bob becomes lunch (not entirely because, as it turns out, the owner oversold the taste). Now you're out in the open, stuffed in some dark, cold refrigerator until no one can stand the smell, and your journey to the dump begins. That's no way to live.

Which is why, when investing in bonds, you need patience. You need to know like a brother the yield curve, duration, convexity, credit ratings, and interest rate trends to name a few. It's not simply a buy-and-hold strategy, even though that may be a nice way, at times, to go. But getting back to my commercial air travel, when a passenger in row 18b becomes unruly, forcing an emergency landing, it's the rest of the group (in the mutual fund or ETF) that pays the price. I don't want that for you.

“Why, then, Survival Guy, should I pay your exorbitant fee?

Well, for starters, it’s hardly exorbitant; just ask my wife. But if you have to ask, maybe this isn’t how you should fly.

Action Line: Don’t assume you can run someone else’s business because you just might end up being wrong. When you want to talk about my fee and your investment future, I’m here. In the meantime, click here to subscribe to my free monthly Survive & Thrive letter. But only if you’re serious.

Warm regards,

Your Survival Guy

“Your Survival Guy”

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