

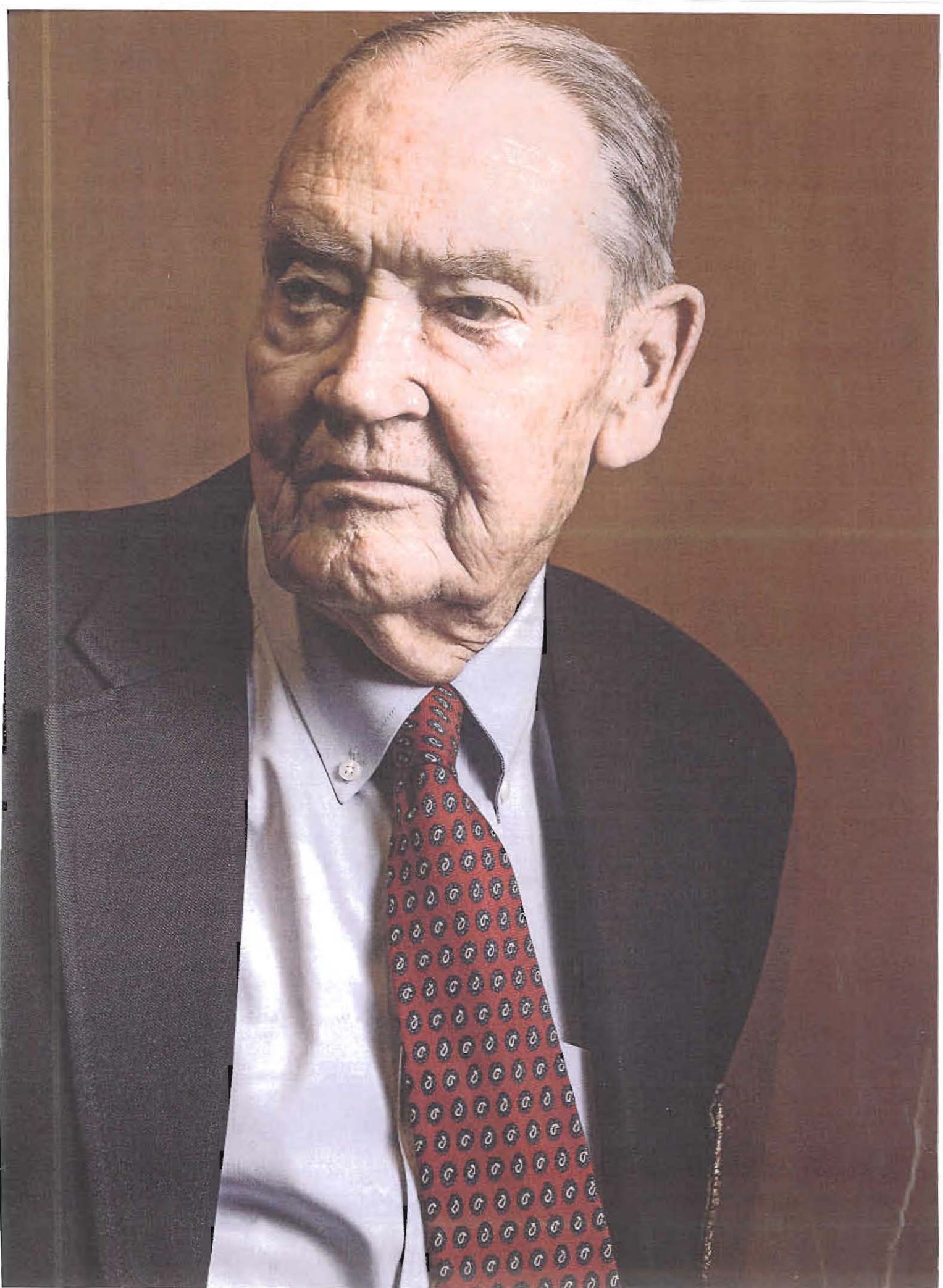
# you don't know Jack

For Vanguard's 83-year-old founder, it's always been about the greater good—just spare him the superlatives. BY J.F. PIRRO Photo by Jared Castaldi

*“I tell you that virtue is not given by money, but that from virtue comes money and every other good of man.” —Socrates*

Jack Bogle has shared many things in his life and career. Among them, the very financial giant he founded. He's shared stories, too—like the one about the student who approached him after a speech at the University of Pennsylvania's Wharton School.

“So what's the real story?” the student asked Vanguard's





Above: Jack Bogle (left) joined Wellington Management Company in 1951, after penning his senior thesis on mutual funds at Princeton University. Right: Bogle's successor, John Brennan (left), and chief investment officer Gus Sauter celebrate as Vanguard introduced its first exchange-traded funds in 2001. The company now manages more than \$200 billion in ETF assets. Far right: Vanguard's oldest fund—now the \$62 billion Wellington Fund—was founded in 1929.



innovative founder with a wink. “Surely you retained some small ownership share to compensate you for your vision?”

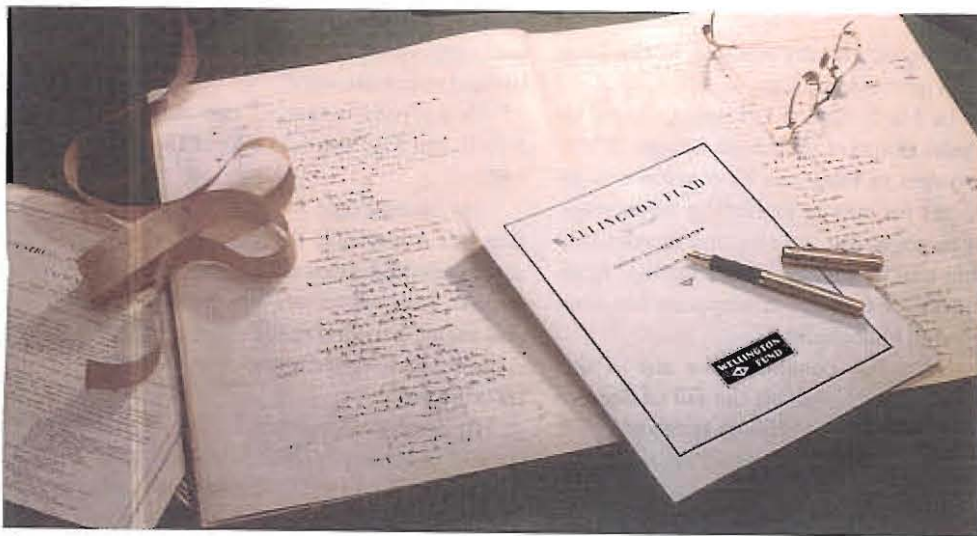
“Nope, Jack told him, no ownership stake hidden away in the bowels of the corporate charter,” recalls Kevin Laughlin, Bogle’s research assistant from 1999 to 2011. “Jack’s often remarked that, while not every industry needs Vanguard, every industry needs a vanguard. I think it would be more accurate to say that every industry needs a Jack Bogle—someone

who’s willing to challenge the status quo, and suffer the slings and arrows of his peers, in order to build a vision.”

Bogle is the first to say that he’s no visionary. “History could totally ignore me or make me out to be bigger than that, but I’m really a very ordinary person who’s had so many breaks. I’m so far removed from genius,” says Vanguard’s retired CEO, a longtime Bryn Mawr resident. “I used common sense to create and build a new kind of company.”

He’s modest, too—and quick to take more blame than credit for the ongoing Route 202 widening project. After all, his Malvern-based financial empire employs more people than any other company in Chester County.

If Vanguard were structured like other financial investment firms, Bogle’s net worth would be in the multibillions. That’s what he left on the table when he made it client-owned—a move that erased any Forbes 500-level riches for its creator.



Echoing our nation’s seminal documents, Bogle created Vanguard as “a company that is of the shareholder, by the shareholder and for the shareholder.” Funds, he proposed, should be operated at a cost to better serve shareholders with integrity, candor, fairness and honor. A guiding principle: “The honest steward who charges least, wins the most.”

Today, the 83-year-old Bogle sees a trio of eye doctors. He’s survived seven heart attacks and a 1996 transplant. Though

riddled with arthritis, he remains spry and outspoken—a rare hybrid of sharp economist and wishy-washy idealist. In his eclectic 2008 book, *Enough. True Measures of Money, Business, and Life*, the staunch contrarian and self-described “battler” recounts a classic exchange between Kurt Vonnegut and Joseph Heller at a party for a billionaire:

*Vonnegut asked Heller how it made him feel that their host, only yesterday, may have made more money than his novel, Catch-22, earned*

*it its history. Heller told Vonnegut that he had something the billionaire could never have—the knowledge that “I’ve got enough.”*

**B**ogle Financial Markets Research Center was established in 2000 to support ongoing post-Vanguard work on behalf of investors. Four years later, its namesake would make *TIME* magazine’s list of “The World’s Most Influential People.”

A month before his heart transplant in 1996, Bogle stepped down as Vanguard’s chief executive. Three years after that, he stepped down from his position as chairman of the board—a move then cast as company policy and since disputed. He had differences with John Brennan, the successor he’d groomed, and was basically eased out of his own company. “No other director retired at 70,” says Bogle now.

As for his independent venture, Bogle continues to be amazed. “When I left in 1999, I was afraid my phone would never ring,” he says. “Well, that hasn’t happened.”

Headquartered in Malvern’s Victory Building, the center has provided a conduit for Bogle’s speaking engagements and other community and industry obliga-

tions. It's also a home base for launching new investigations—the next one focused on pension plans. Sitting in his office, dressed in a green sweater and khakis, his thinning hair combed straight back, Bogle reveals that he's 10 days away from finishing his 10th book, *The Clash of the Cultures*. Now available, it pits speculation against investment while lamenting how risk has supplanted solid decision making. Wall Street, he asserts, is one "gigantic gambling machine."

Casting out to sea in the mutual funds war in 1974, Bogle named his company after the *HMS Vanguard*, Lord Horatio Nelson's flagship in the British victory over Napoleon at the Battle of the Nile. In stark contrast to his industry peers, he's led a life that hasn't been about "greed or about being number one," as one veteran Vanguard employee puts it.

Bogle's causes have never been popular, nor has his perpetual search for the answer to the question: What value have you created for society? But he's remained consistent and persistent, with a dogged devotion to simple, humble investment convictions—balance, diversification and big-picture focus.

"Volatility means nothing to the long-term investor," he says.

In his books on investing, Bogle includes chapters on human beings. When it comes to Vanguard, he continues to advocate for cuts in marketing, an increase in management, a reduction in salesmanship and an uptick in stewardship. It all flies in the face of contemporary buy-now, get-rich philosophy.

Bogle has compared the dip in the American economy to the fall of Rome—a collapse that isn't due so much to greed and power as it is to arrogance, smugness, self-satisfaction, and a meltdown of traditional ethical standards. "Self-interest got out of hand," he says.

He's written that the financial industry has been "blown up by its own dynamite." And it's the only industry, he contends, where customers don't get what they pay for—that beating the market will always be a "loser's game," until it functions in the public's favor.

While Bogle predicted our economic slump, he also knows that he's painted himself into a corner as an "aging mutual-fund Luddite who is uninspired and unimpressed by the rise of complexity

(and excess cost) at the expense of simplicity (and minimum cost)."

"It's a greedy industry," says Bogle. "I love it, but I've also had a lover's quarrel with it."

One thing Bogle will acknowledge is that he's responsible for three simple yet unprecedented innovations: the "mutual" mutual fund structure, the index fund, plus municipal bond funds and their three short-term, long-term and intermediate-term levels.

His creation, Vanguard is now one of the two largest mutual fund organizations in the world. He drew investors by the thousands at first, then by the millions. Today, the group comprises more than 130 mutual funds, with current assets totaling \$1.82 trillion.

The largest is the Vanguard 500 Index Fund—which, together with its sister Institutional Index fund, has combined assets of more than \$220 billion. It was founded and incorporated by Bogle in 1975, then launched the following year. The Vanguard 500 was the world's first index mutual fund.

Bogle calls indexing a "world-changing concept." Still, he's not sure it will change

the world in his lifetime. "But it will," he promises.

Others have disputed that his index fund was the first. On its 35th anniversary year, a battle of words was waged in the op-ed section of the *Wall Street Journal*. Bogle's response: "Ideas are a dime a dozen, but implementation is everything."

The huge advantage to indexing is cost. Even if you're merely above average, there's no money left for the next crisis. Therefore, Bogle always wanted to be average—and that's not an easy concept to swallow where money is involved. But the long-term victory, he's always stressed, is based on huge cost advantages in wealth that's compounded over time. "Being average is the ticket," Bogle asserts. "You have to get cost out of the equation, have low-profile turnover and eliminate sales load—and over 10 years, you win. You can beat your peers, if you're average."

Others insist that you must make money for the conglomerates that own you. To do so, they slash workforces, raise fees, and offer new funds, with promises of great days coming.

"It's arrogant to even think you can deliver all that," says Bogle, who one

biographer called the conscience of the industry. "It's a cash cow that only feeds management. It's like selling perfume—except they're selling hope."

In 1951, such ideas were those of an idealistic Princeton University student. You won't find the word "vanguard" anywhere in his senior thesis, but the objectives and values for the company he eventually launched are there. He sent his paper to Princeton alum Walter Morgan, the famed founder of the Wellington Management Company. Morgan hired Bogle immediately after graduation, quickly becoming a mentor.

"He was a lot of what I was not," Bogle admits. "But he entrusted me. He liked me. When he died (in 1998), others told me that he always said I was the son he never had."

Bogle became Morgan's heir apparent as executive vice president at Wellington in 1965. But he was fired as its company president in 1974 after a merger backfired. Retained as president of Wellington Funds, Bogle filed a report proposing three options for fund mutualization. The Wellington board authorized internalization of the fund's administrative duties. But since

Bogle couldn't use the Wellington name for his new firm, he launched Vanguard.

All these years later, Wall Street hasn't totally turned its back on Bogle. Some 250 people attended its John C. Bogle Legacy Forum last January. After word got out about the honoree's favorite food, he was served a peanut-butter-and-jelly sandwich while being roasted. "It was nice what the people had to say about me," he says. "It was like being around for my own funeral."

Jack Bogle's start in life was about as uncertain as the stock market. He was born in Montclair, N.J., on May 8, 1929, the year of the crash, one of a second set of twins. The first two died at birth.

Initially, the Boggles were well-off. But after the crash, they were soon without. His father had trouble finding and holding jobs, so Jack began working at age 9. And though the family had to move in with Jack's grandparents, his mother's ambition was always to educate her three sons.

On scholarship at Blair Academy in New Jersey, Jack was salutatorian and named both "Best Student" and "Most Likely to Succeed." At Princeton, where he also attended on scholarship, he was

captain of the cafeteria's waiters and ran the athletics office's ticket booth.

His older brother, William, settled in Ardmore, and over two Christmas vacations, Jack worked the graveyard shift at the post office. He took a summer job as a police reporter at the *Evening Bulletin* and was also a pinsetter in a bowling alley.

Today, Bogle and his wife, Eve, have six children and 12 grandchildren. For the past 25 years, he's given half his annual income to philanthropic causes—among them, the National Constitution Center, where he once replaced Ed Rendell as its chairman. He also backs scholarships at both Blair and Princeton.

These days, what keeps him coming into the office is “lunacy, ego and fear.” “Deep down, I think that, if I stop, I will die,” he confesses. “By all accounts, I should’ve already died seven or eight times, so I don’t go around bitching.”

And Bogle is still passionate about Vanguard. He loves eating in its cafeteria and chatting with veteran employees—2,000 of them with at least 15 years at the company. “He’s tremendously grounded,” says Laughlin, who’s now a project

manager in planning and development. “He never fell into the trappings of wealth and success that ensnare other captains of finance and industry. No collection of homes, boats or luxury cars. No lavish vacations or art collections. He’s remained a very simple guy, a child of the Depression who would no sooner make a purchase to let others know just how wealthy he is than fly to the moon.”

Bogle remains careful in evaluating himself, weary of the “great inclination to give oneself the benefit of the doubt.” Religious and patriotic, he’s skeptical of the Information Age and laments the lack of common purpose that pervades society.

“As a teacher of 18th-century English literature and history, I’m struck by how much Jack seemed to fit into that era,” says Chan Hardwick, headmaster of Blair Academy. “It was a time when some leading figures believed that moral authority, reason and self-discipline were the elements of armor against self-doubt, irrationality and human weakness.”

Meanwhile, Vanguard has changed. What was once a “cottage industry” has grown to an empire of 13,000 employees. That size has led to a betrayal of some principles. “I don’t know that it bothers me, but it does disappoint me,” says Bogle.

He’s diametrically opposed to the commercial branding of the Vanguard name. “If that’s what we did, then there’s a knot in my stomach,” he says.

Laughlin, for one, doesn’t shy away from addressing Bogle’s sizable contrarian streak. “He relishes challenging conventional wisdom and championing unpopular ideas,” he says. “But the fact is that many in the industry view him as a thorn in their side.”

By way of proof, Laughlin relates a story about the Investment Company Institute’s general membership meeting, where George H.W. Bush spoke. After the speech, all the former ICI chairmen were ushered into a room for a private reception with Bush—all, that is, except for Bogle.

“He rightly viewed this snub as petty. But, in relating it to me, there was a trace of, well, disappointment,” Laughlin says. “It made me realize just how lonely his crusade was. The best contrarians—the ones who end up making a difference—need an enormous dose of character and fortitude to weather the push-back and inevitable self-doubt. Fortunately, Jack is well-equipped on all counts.”