

THE TELL

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Jack Bogle: Forget trading, start investing

October 17, 2012, 6:01 PM

Jack Bogle, founder of the Vanguard Group and author of “The Clash of the Cultures: Investment Versus Speculation,” says that investors should not be shaken by the economy, the election or the fiscal cliff and should, instead, stay focused on buying good businesses for the long haul, regardless of market conditions.

“Get out of the casino, own Corporate America and hold it forever,” Bogle said during “The Big Interview” on MoneyLife with Chuck Jaffe. “No trading, no nothing. You don’t need to trade; you don’t need to worry about the market. To protect yourself from the bumps the stock market will scare you with – even though it shouldn’t scare you because there have been bumps in the market since the beginning of time – have a bond position to go along with your stock position, and have your bond position [the proportion of your assets in bonds] ... have something to do with your age.”

Bogle said that the financial-services industry gets much of the blame for creating the idea that there are ways to beat the market or to avoid the bumps – or even the major market meltdowns – but noted that individual investors share the blame.

“The system – a failed system – plays a major role in the problems investors face, but we have to look first though, to be quite blunt, at investors themselves,” Bogle said. “Why do they do it? ... They all think they are above average.”

Bogle pointed out that the distinction between investment and speculation is more clear than most investors expect, and said that many people who consider themselves investors but act like speculators. He noted that both sides have elements of buying-and-holding securities.

“The stock market is a mysterious and often misleading thing. It creates no value, zero value, for investors. In fact ... it shifts value from investors to participants in the system, brokers, investment bankers, money managers and things like that,” Bogle said. “Value is created not by stock prices, but by stock intrinsic values, by corporations that have staggering amounts of capital ... they put that money to work, they earn a return on it in a competitive world. ... That’s what investing is about, owning companies.

“Speculation is, by and large, about buying and holding stocks; the values of stocks are ephemeral, they come and go, sometimes for no reason.”

Bogle will appear again on MoneyLife on Thursday, in another Big interview segment. You can listen to Wednesday’s interview at www.moneylifeshow.com.

– Chuck Jaffe