The Dream of a Perfect Plan

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Money Matters

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Good morning. It's especially wonderful to be in the fair city of Boston, from whence came, almost exactly 50 years ago, my inspiration to enter the mutual fund industry. In December 1949, I read an article in *Fortune* magazine entitled "Big Money in Boston," introducing me to this industry for the first time. Thus inspired, I wrote my senior thesis at Princeton University on "The Economic Role of the Investment Company," joined the industry when I graduated in 1951, and have been around ever since. It was also in Boston in early 1974 that I got fired from the company I'd joined at the outset of my career, which led to my founding of Vanguard in September 1974, just 25 years ago. I've had an exciting career.

Over the years, I've often cited Von Clausewitz' epigram, "the greatest enemy of a *good* plan is the dream of a *perfect* plan." This morning I'm going to use that profound thought as the theme of my keynote speech to you investors who are here today. My theme will echo the fact, not only that "Money Matters," but that *your* money matters. We are all trying to make sense out of our volatile financial markets, our U.S. economy that is each day becoming more a part of the global village, and the implications of our present revolution—and it is no less than that—in information technology and communications. In these wild days, deciding on an intelligent investment plan must seem both complex and confusing. What, you must wonder, is the best way to allocate your assets among stocks and bonds and cash, and even other kinds of assets? Once you make those decisions, how do you implement your plan? What role should mutual funds play? Which funds should you select from among the 7,500 that exist today? These are all tough decisions, especially since the world of investing may well be at a sort of inflection point today, and it is never easy to see around the corner.

In this conference, you'll be exposed to a lot of common sense ideas for dealing with these complexities and uncertainties, and I urge you to consider them with care. I imagine you'll also hear many ideas that don't comport with at least my concept of common sense, and I urge you to disregard each one of them in direct proportion to its complexity, its decibel level, and the conviction of its advocates that a favorable outcome is assured. Avoid complex strategies that seem to provide temptingly easy solutions to eternally complex problems. I warn you that complexity—which I call "witchcraft"—may seem to offer a perfect plan, but it rarely delivers on the dream it promises. What is more, complexity is expensive. The simplicity of a good plan, on the other hand, can work not only effectively, but economically. The good plan works, not *despite* being inexpensive, but *because* it is inexpensive.

Asset Allocation

My remarks today will focus on equity mutual funds, but I want to begin with a brief word about asset allocation, for it is one of the most important investment decisions you make. While there are complex systems that offer precise formulas for implementing the perfect asset allocation plan, the good asset allocation plan simply assumes that these nuances of investing are unpredictable. The good plan relies primarily on a straightforward and conventional balance between stocks and bonds. How much in each category? As ever, your investment balance must depend largely on your own needs and circumstances. Typically, the allocation might range from something as crude as, say, 50% in stocks and 50% in bonds for older, moderately risk-averse investors who have accumulated substantial capital, have reached normal retirement age, and need to draw down income. Or up to 100% stocks for young, confident investors who are just beginning to accumulate their first investments in a 401-K retirement plan, and have scores of years before drawing down income. In an uncertain world—and it will be ever thus—getting allocation *almost* right may be better than getting it *precisely* wrong.

The fact is that we know little about the future returns that stocks and bonds will provide. But we must rely primarily on stocks for capital appreciation and on bonds for income, and we have to realize that stocks involve substantial risks. No matter what you read about historical returns of common stocks, I assure you that the stock market is not an actuarial table. But the common stock portion of your allocation provides the only sensible approach to building your capital over the long-term. So the question becomes: Which equity mutual funds will build your capital with the greatest effectiveness.

Investing the Stock Allocation

The perfect plan would be to identify one or more mutual funds that may provide a return significantly greater than that of the stock market. And the lesson of history shows us that some mutual funds *have* in fact outpaced the market. But that lesson also shows us that the odds against doing so are long. In fact, even among those 145 mutual funds that have in fact *survived* the past three decades, only 15 have outpaced the stock market as a whole. That is, the fund investor had only about one chance out of ten to surpass the market's return.

By how much? An interesting question. Only eight funds outpaced the market by more than one percentage point per year. Thus, when we eliminate the likely statistical noise involved in a margin of plus or minus one percentage point to the market, the odds of success now drop to just one chance out of 18. And the chances of picking a loser are far higher. A total of 108 funds fell one percentage point or more behind the market, 13 losers for each winner. And fully 37 funds—one of every four—fell short of the market by three percentage points per year, surely a deep disappointment to their owners. Clearly, the odds against implementing a perfect plan by selecting winning funds are long, and the penalties for failure disproportionately large.

Why was it so difficult for these mutual funds to merely match the return of the stock market? To answer that question, I need only point out that, in all respects save one, the stock market is a gambling casino. In the casino with which we are familiar, gambling is a zero-sum game. One gambler's loss is another's gain—until the croupiers rake off their share of the wagers. It is true at the roulette tables and at the racetrack alike. And after the croupiers' rakes descend, the casino is a negative-sum game. The longer the investor stays in the gambling casino, the greater the certainty that he will, finally, be wiped out.

What is different in the stock market casino? Investing in equities is not a zero-sum game, but a positive-sum game. Or at least it has been during most of past history. With the profitability and growth of corporate America, stock prices have risen steadily over the years. Yet each day, investment professionals and amateurs alike are buying and selling stocks with one another, and when the seller wins the buyer loses. So in the stock market, the returns earned by all investors are inevitably average, and *beating the market* is a zero-sum game. But, just as in the regular casino, it is only a zero-sum game until the croupiers rake off their shares. Then, investors as a group must, and do, fall short of the market's return.

There are lots of croupiers in the stock market casino. Fund managers receive substantial fees, and funds incur operating expenses; stock brokers receive sales commissions when investors purchase fund shares through them; investment bankers and brokers receive fees and commissions for executing fund portfolio transactions. Even the Federal Government finds itself among the croupiers, for portfolio turnover generates realized capital gains, and therefore taxes. Given all of these subtractions from the market's return, the good plan relies on this surprising, if obvious, rule for measuring investment success. ***The central task of investing is to realize the highest possible portion of the return earned in the financial asset class in which you invest—realizing, and accepting, that that portion will be less than 100%.***

It is simply a mathematical impossibility—a definitional contradiction—for all investors *as a group* to reach 100% of the stock market's returns. Indeed, given the excessive costs of equity mutual funds, it is a mathematical *certainty* that, over a lifetime of investing, only a relative handful of investors will succeed in doing so by any significant margin, just as we have seen. If this is iconoclasm, so be it. But accepting this reality—that investors as a group will inevitably capture less than 100% of the stock market's rate of return—is the first step toward a good plan for equity investing.

There is an obvious—and optimal—way to closely approach this 100% target: Simply own the market. It is easy. An all-stock-market index fund, in substance, owns shares in every publicly held business in America, and holds it for as long as the business exists. By slashing the croupiers' take, such ownership is available at extremely low cost. There is no advisory fee, for there is no adviser; no sales charges, for there need be no broker; nominal fund transaction costs, for there is almost no portfolio turnover; with so little turnover, few realized gains and minimal taxes. It is fair to say that the all-market index fund is the croupier's worst nightmare. And, therefore, the investor's sweetest dream The *simplest* of all approaches to equity investors, then, is to invest solely in the shares of a single all market equity index fund—just one fund. It is a good plan. *And it works*.

But, I'm a realist. I recognize that in the real world, lots of all-too-human traits get in the way of a simple, all-encompassing index fund approach. "I'm too smart for that;" you may think. "Even if the game is expensive, it's fun." "It can't be that simple." These are the all too common refrains in the minds of investors—am I speaking for you?—who choose to pursue the conventional strategy of relying entirely on actively-managed funds to implement their investment strategies. "Hope springs eternal," as Alexander Pope reminded us. But the full couplet reads: "Hope springs eternal in the human breast;

Man never *is*, but always *to be* blest." Just as the dream of the perfect plan lies little chance of coming true, so the anticipation of being blessed, Pope tells us, inevitably falls short of realization.

It occurs to me that the main fact or that causes investors to ignore the good plan of indexing is not just that it is boring—the market return is only, well, the market return—but that the index strategy seems dumb. In a sense, of course, it is. Perhaps it is also deaf and blind. But as it turns out, the dumb strategy leads to a smart, even brilliant, decision. Hear Warren Buffett on this subject:

> "By periodically investing in an index fund . . . the know-nothing investor can actually out-perform most investment professionals. Paradoxically, when "dumb" money acknowledges its limitations, it ceases to be dumb."

But if the index fund strategy is a good plan—maybe even the best plan available to most of us mere mortals—it need not be the end. While the odds against picking a superior mutual fund have been powerful, they have not been insurmountable. In a given decade, perhaps one fund in five has beaten the market (before taxes). And there are some simple common sense principles that should help you to select funds that can earn a generous portion of the market's return, although they too are all too likely to fall short of 100%. If there are long odds against outpacing the market, at least going about the task of fund selection intelligently can help you to insure against a significant failure. So let me give you nine rules that may help you to do just that.

Rule 1. Select Funds With Low Expense Ratios

I've said "costs matter" for so long that the portfolio manager for one of our funds gave me a Plexiglas pillar with the Latin translation: *Pretium Refert*. But costs *do* matter, and their impact will likely grow in importance in the ears ahead. It is costs, pure and simple, that have accounted for—and will continue to account for—the lion's share of the shortfall of the typical mutual funds in the stock market. The industry's estimated 2 ½% annual cost, for example, would consume fully 15% of a market return of 17 ½%, leaving 85% for you. That portion will rise when returns revert to lower levels. That same cost would consume 25% of a market return of 10%. And if the going got really tough, say, in a 5% market, fund costs of 2 ½% would confiscate fully 50% of the market return, leaving only 50% for the investor.

As these costs are ranked from the table of the market casino, the croupiers with the largest rakes are the fund managers. The fees and expenses you pay to them are rising even faster than the industry's soaring asset base. Since 1980, the expense ratio of the average equity fund has risen from 0.96% to 1.52%—a 58% increase. But, yes, larger fund groups have lower costs. For example, in the fair city of Boston, the expense ratios of the three largest fund managers—together managing a cool $1 *trillion* of fund assets—average 1.09%. But despite the awesome growth of these firms, that figure is far high than their 0.64% average expense ratio in 1980, a leap of 70% that is even larger than the 58% increase for the industry as a whole. "Big Money in Boston" all over again! It is high time that this industry does something to reverse this steady uptrend. And it's not impossible. During that same 20-year span, one large fund firm has in fact gradually, but substantially *reduced* the costs paid by its investors. There ought to be a lot more firms doing precisely that. You owe it to yourself to select from among funds where the manager-croupiers exercise at least some restraint, evidenced by expense ratios that are well below industry norms.

Rule 2. Emphasize Funds with Low Portfolio Turnover

Once your money is invested in a fund, the rake of the next croupier begins to sweep. Most funds continue to buy and then sell securities unremittingly, and then sell them and buy them over and over again. Believe it or not, fund portfolio turnover has risen to an all-time high of 112% this year, meaning that the average fund held onto a stock for just 326 days. That holding period is far more akin to short-term *speculation* than to long term *investing*, which, not so many years ago, is what this industry was all about. The rake wielded by the brokers, investment bankers, and institutional traders is also a wide one. To pay for this staggering transaction activity, turnover typically rakes off 0.5% to 1.0% of fund assets each year. Consider a $1 billion stock fund with 112% turnover: It sells $1.12 billion of stocks in a year, and reinvests the $1.12 billion proceeds in other stocks, total transactions of $2.24 billion, even higher if the fund draws cash inflow from investors.

This high turnover is in part the product of trading by hyperactive portfolio managers, anxious to garner a performance edge on their peers, however fruitless the quest. But there is also turnover among the managers themselves. All too often when a manager departs, the new manager's broom sweeps clean, as he reorders the portfolio to comport with his own strategies. Believe it or not, the average mutual fund manager lasts just five years. For one giant firm, the average tenure is but 2 ½ years, as the croupiers come and go. So, be aware, not only of a fund's turnover rate (it's shown in the prospectus), but also both its management company's propensity to move managers around, sometimes seemingly at the drop of a hat. Turnover costs can cut your long-term returns by a meaningful amount, so do your best to find funds both with portfolio holdings *and* portfolio managers that will stay the course.

3. Realize that Taxes are Fund Costs, Too

There is yet a third croupier in the fund casino. And in this bull market era, it happens to be the greediest croupier of them all: The Federal Government. Make no mistake about it, Uncle Sam *loves* the mutual fund industry. For as impatient, aggressive fund managers buy and sell stocks at a furious rate, they pay virtually no attention whatsoever to the taxes such activity will require you to pay. *They* can ignore taxes, but you *can't*.

There is awesome value in deferring taxes—and deferring them for as long as you can. When you pay taxes today, that money can't compound to your benefit tomorrow. Deferring a capital gain for 15 years reduces the present value of each one dollar of taxes to just 41 cents; in 25 years, to 23 cents. Yet fund managers not only require you to pay the 20% tax far too early, realizing *long-term* capital gains far too prematurely. They also have been realizing some one-third of all capital gains on a *short-term* basis, thus forcing you to pay taxes at rates up to the 40% maximum on dividend income. Many state taxes—and Massachusetts, I need not remind you, is hardly the most tax-friendly state—consume even more of these unnecessary fund gains. So look for tax-efficient funds—not only those that have been so in the past, but those that have policies that emphasize on going tax-efficiency.

4. Be Careful About What You Pay for Fund Selection Advice

Many investors need sensible advice in fund selection and asset allocation—and many do not. If you are convinced you do not need advice, it is unwise to pay for it, either in the form of front-end sales commissions (about 5% of the amount invested), or 12b-1 sales fees included in a fund's expense ratio (up to 1% of assets), or fees paid to registered investment advisers and financial planners, usually beginning at about 1% of assets and paid directly by the investor.

I have no hesitancy in saying that some of these providers of fund selection advice can be characterized as croupiers. How else to describe firms which are collectively spending up to $500 million annually of their shareholder's hard-earned money annually on the advertising campaigns you see incessantly on television, in the press, even on billboards. Remember this: Those are your dollars the managers are spending to bring in new investors, and there is simply no way under the sun that they can bring any benefit whatsoever to you. Consider whether you want to contribute to this cost: if not, tell them about it.

I also have no hesitancy in saying that there are many investment advisers and brokerage executives for whom the term "croupier" is in no way appropriate. Indeed, the best advisers are exactly the opposite: they can help you *minimize* the costs of the croupiers in the stock market casino by steering you toward funds with low expenses, low turnover, and high tax-efficiency. Equally important, they can also help you to minimize the many pitfalls of fund selection, provide you with sound asset allocation guidance, and give you personal attention. If you are among the many investors who need this sort of advice, carefully select your adviser. And be sure to know exactly the fees and charges involved.

Rule 5: Add up the Costs and Values in the Market Casino

You owe it to yourself to consider the sum total of the costs of the market casino, in the light of the financial values you seek there. The costs of fund investing have gotten completely out of hand. When we put them all together, the comparison of the actual results of the average fund with the results of simply owning a market index is truly a revelation, albeit one that is virtually—if understandably—ignored by the mutual fund industry. So, here are the results: Over the past 15 years, the average pre-tax return of the total U.S. stock market was 16.4% per year. But after the costs of all of the croupiers—fund sellers, fund managers, stock brokers, and the Federal Government—the return for the average fund investor was just 10.2% per year. By way of contrast, a low cost, no-load, low turnover all-market index fund would have provided an annual rate of return of 15.2% to the investor—fully 50% higher. And as both returns and costs compound, the difference widens. The value of an initial $10,000 investment at the end of the period: managed equity fund, $43,000; index fund, $83,300. In short, in search of the perfect plan, the investor in the equity fund relinquished 56% of the market's gain to the croupiers, with but 46% left for himself. On the other hand, by holding the croupiers' share to 14% of the market's cumulative return, the investor who relied on the good plan of a market index fund retained 86%. His $73,000 profit was *more than double* the $33,000 profit of the regular investor.

The point of this chart is *not* to attempt to persuade you to abandon the active management strategy that you likely follow, much as I might wish to do that. Rather, the point is to show you the crucial importance of minimizing the take of all of those croupiers out there. You *must* do so if your long-term accumulation of assets is to meet your financial requirements. Put another way, as you dream of developing the *perfect* plan for investing, learn all that you can from the *good* plan.

Rule 6: Beware of Past Performance to Predict Future Performance

For your dream of a perfect plan to be realized, you must select superior mutual funds. To an amazing extent, investors rely on past performance to make their selections. If you do so, I warn you, you are learning on a weak reed. There is simply no way of predicting a fund’s future success based on its past track record. Indeed, the one thing that appears certain about the future relative performance of successful funds is this: *Performance superiority will not be sustained*. For example, the top quartile of 40 funds beat the market by nearly 3 percentage points annually during the 1980s, only to lose by one percentage point during the 1990s—a reversion of 4.2 percentage points. And of these 40 top quartile funds during the 1980s, fully 39 funds had their margins over the market reduced in the 1990s, including 32 funds that provided returns below those of the market.

This pattern is called “Reversion to the Mean,” a sort of law of gravity that seems to be almost universally applicable in the financial markets. It is *not* a statistical aberration. The reversion to the mean among the top quartile funds during the 1970s, for example, was -4.8% during the 1980s, virtually identical to the 1980s-1990s reversion of 4.2% Reversion to the mean, then, seems almost preordained in fund performance, frustrating the dreams of so many investors who invest on the basis of past performance. Finally, index funds alone have relative predictability. They provide precisely the market’s return, less their costs, decade after decade after decade.

Rule 7: Rely on Past Performance to Measure Consistency and Risk

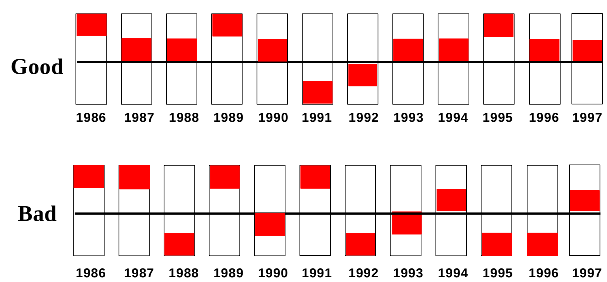
While the dream of the perfect investment plan will rarely be fully realized, there *are* ways to avoid having it become a living nightmare. If past fund performance cannot foretell the future, it can still be an important consideration in selecting funds that have a fighting chance to earn consistent returns relative to peer funds with similar styles and objectives. Compare, for example, a large cap blend (growth *and* value) funds with other large cap blend funds, and see how it stands each year.

Morningstar Mutual Funds provides considerable help in this important endeavor showing whether a fund is in the first, second, third, or fourth quartile in each of the past 12 years. The chart gives a fair reflection of the fund's relative success. For a fund to earn a top performance rating means, in my mind, at least six to nine years in the top two quartiles and no more than one or two in the bottom quartile. This information—shown in this example of two real-world funds that reflect the standards I've set forth—is ignored by too many investors.

The "good" fund is in the top half in seven years, in the bottom quartile but once. The 'bad" fund is in the top half five times, but in the bottom quartile, four. Interestingly, for the full period both funds had similar annual returns of 17 1/2%, and both ranked among the top one-third of their peers. But it is *consistency* of return, not *aggregate* return, that tells the important story to the intelligent investor.

A. Consistency

Morningstar* Performance Profiles



* Quartile within Category.

So, careful analysis of past performance can tell us a lot about return. But it can also tell us a lot about risk. *Risk is a crucial element in investing.* One good indicator is the *Morningstar* risk rating. It provides a rough guide to how much risk the fund typically assumes relative to its objective group and relative to all equity funds. There are marked differences from one style to another, reflected in the finding that, generally speaking, value funds carry distinctly less risk than growth funds, and large cap funds carry less risk than small cap funds. This table presents the broad risk profiles:

B. Risk

***Morningstar* Risk Profile, June 1998**

(Average Fund = 100)

	Value	Blend	Growth
Large	**78**	**84**	**114**
Medium	**85**	**105**	**156**
Small	**104**	**140**	**183**

I should note that while, over time, relative fund *returns* vary randomly from one period to the next, relative fund *risks* carry a healthy degree of consistency. So, especially in these volatile, care-laden days, ignore risk at your peril.

And while you're looking at that plethora of numbers, please don't forget there is more to fund selection than numbers. To me, the character, integrity, stability, and judgment of a fund's management are the qualities on which your dream of the perfect plan should rely. In all of your searching for the *quantities* that describe investment returns, I urge you not to ignore the *qualities* of those who will be the stewards of your precious assets.

Rule 8. Consider the Implications of Asset Size

Any investor seeking the perfect plan must be aware of asset size and its implications for the future returns of the funds selected. By far the biggest problem is that investors seeking extraordinary future returns focus on extraordinary past returns, frequently accomplished when a fund was small. Such returns are simply not repeatable; indeed they may not even be honest. Only a few weeks ago, for example, the Securities and Exchange Commission censured and fined one fund manager for reporting misleading returns, warning that, "it is *wrong* to raise shareholder expectations of future gains by advertising future returns when it is highly unlikely those returns can be sustained." Yet on our television sets and in our newspapers, everyday, we see fund managers hawking past fund records that cannot *possibly* be sustained. Don't let yourself be influenced by such advertising.

Size, as such, is not necessarily bad. A giant market index fund, indeed, may have inherent advantages over a very small one. And the past record of a fund investing in large cap stocks on a long-term basis is likely relevant even if the fund has grown to a multi-billion asset base. But giant size limits the investment universe from which a manager must select the fund's investments, as well as limiting (for better or worse) his ability to actively trade the fund's holdings. As a result, funds that were once actively managed gradually come to resemble market index funds, without disclosing it, and without the benefit of low cost that indexing provides. The "closet index fund" is now a staple of the industry. While it looks like a duck, however, and walks like a duck, and quacks like a duck, it denies *being* a duck.

But "duckness" can be measured. A correlation statistic known as R^2 measures the portion of a fund's return that can be explained by the return of the Standard & Poor's 500 Index. The average equity fund has a correlation of 83, meaning essentially that 83% of the average fund's return can be Index-explained. But 18 of the 30 largest blend funds investing in large cap stocks have correlations of 94 or above, very close to the 100 correlation of a S&P 500 Index Fund. If these funds are not closet index funds, they are something terribly close. It behooves you to know the R^2 figures for the funds you own or are considering owning, and to decide whether the implicit limitations on extra return are too great to justify the costs involved. But I fear that in most closet index funds, you are unlikely to find *either* a perfect plan *or* a good plan.

Rule 9: Don't Own Too Many Funds—And Don't Trade Them

Let me ask your indulgence as I set forth one final rule: Limit the number of funds you own, and don't trade them. To paraphrase the old adage, "too many funds spoil the perfect plan." Why should this be so? First, the more funds you own, the greater the chance that a truly inspired fund selection will have its success spoiled by another fund that falls on its face. The problem has been called "diworsesification," for it leads investors to build a portfolio of funds containing so many individual stocks that it becomes itself a closet index fund, again bereft of the index fund's positive attributes of exceedingly low cost, minimal portfolio turnover, high tax efficiency, and clarity of investment objective. To me, that is too much good to relinquish in the search for the perfect.

Recent studies have shown that the average mutual fund investor owns six mutual funds, and one of every four investors own ten funds or more. Such a blunderbuss approach to fund ownership is apt to be counterproductive. Even more counterproductive is the active trading of mutual funds. Typically, an investor today holds funds for but three years, an absurdly inadequate time frame for appraising the results of an investment program that should be inherently long-term by nature. What is worse is that the funds may ill-selected in the first instance—funds with inflated performance, funds investing in hot market sectors, funds advertised on television, funds that trade actively and relinquish much of their profit to taxes, funds with high costs that didn't seem to matter when their past records looked so good. But the worst aspect of trading funds is that it allows the counterproductive *emotions* of investing to supersede the productive *economics* of investing. The dream of a perfect plan will never come true if mutual fund shares are traded as if they were stocks.

The Perfect Plan or the Good Plan?

I believe that my nine rules for selecting actively-managed funds should afford you considerable advantage in your quest for the perfect plan. Essentially, the idea is to buy right and hold tight. The problem is that only a fairly small number of funds will filter through my nine screens. There ought to be lots more. This industry needs to get its house in order. So demand that funds measure up to your standards. If you make your own investment decisions with common sense and intelligence, the industry will be *forced* to change and serve shareholders more efficiently and effectively, reducing costs, risks, turnover, and hyperbole alike. Finally, you—the fund shareholders, the *owners* of the fund—must be served. You deserve a fair shake, and I'll keep speaking out until you get it.

Until that great change comes, however, you can't afford to ignore the good plan. Index funds work well. The problem is that most actively managed funds—burdened by excessive costs, promoted based on outlandish claims of performance success, and managed with strategies that call for a short-term focus—*don't* work very well. Almost alone, the index fund follows a strategy designed to protect your capital from the many croupiers who haunt the stock market casino. It is for that reason that the index fund has proved to be the optimal way "to realize the highest possible portion—albeit slightly less than 100%—of the return earned in the market."

It is a curious irony that many fund managers who once knocked indexing (and many who *still* do) now offer index funds. There are now some 380 index funds from which to chose, though precious few of them offer durably low costs. Yet even as these active managers have finally gotten around to offering investors the good plan of indexing, they have also become latter-day stockbrokers, vigorously promoting active trading of individual stocks over the Internet, encouraging investors to dream of what is offered as an even *more* perfect plan. But that plan, I fear, will become a nightmare.

A recent column by Charles A. Jaffe in your *Boston Globe* got the issue just right. Comparing marriage and mutual funds, he wrote, "the ideal mutual fund is one we can have and hold, in sickness and health, in good times and bad, for as long as we live." He urged investors not to have flings with hot funds nor to be seduced by the lust for exceptional returns, but to have a long-term relationship with funds with character, stability, and consistent long term performance, a relationship he characterized as "true love." Those sensible words surely echo my keynote message today, as I close by reminding you once more that "the greatest enemy of a good plan is the dream of a perfect plan."