

# *Do Mutual Funds Still Work?*

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# *Do Mutual Funds Still Work?*

- The short answer: Yes
- The confusing answer: It depends on what you mean by “mutual funds”
- The intermediate answer: They’re not perfect
- The skeptical answer: Not all the time, and especially not in this market
- The broker’s answer: I can tell you, for a small sales load

# *Do Mutual Funds Still Work?*

- The passive investor's answer: Only when they are index funds
- The active investor's answer: Maybe, I'm still moving my money around trying to find the right one
- The 401(k) plan investor's answer: They did in the 1990s
- The ETF investor's answer: Not anymore

# *Do Mutual Funds Still Work?*

- The long answer: Yes ...

**BUT ...**

You have to decide if you want traditional funds or ETFs, active or passive investments (or both); you have to accept that they're not perfect, and that they won't all work all the time; you have to forget about how they worked in the 1990s, and you must take steps to make them work for you now.

# What are funds supposed to do?

1) Provide diversification

2) And professional management

3) At a reasonable price

# *What do most funds do today?*

- Provide diversification ...  
*within an industry, sector, style or market capitalization range*
- And professional management ...  
*or at least a professional philosophy*
- At a reasonable price ...  
*or at least something that people in the financial-services biz believe is reasonable*

# *Fund decisions you must make*

- What type(s) of fund do I need?
- Who picks my asset allocation, me or the manager?
- Active or passive?
- Traditional fund or ETF?
- What are my return expectations?
- What are the risks?
- Does this fund work with my other funds?

# *What about the problems with funds?*

- Management scandals
- High costs
- Poor performance
- Lack of transparency
- Hard to analyze
- Too many choices
- Hard to have faith in them