How much money does it cost to build a halfpipe

Charley Ellis may not be a household name, but he commands the respect of many savvy investors. He shook up Wall Street in 1975 with a landmark article in a financial trade journal that attacked the notion that professional money managers consistently beat the market. Nonprofessionals stand even less chance of outperforming the benchmarks, argued Ellis, so individuals need to rethink their approach to building wealth. That influential piece was the basis for Ellis's classic investing book, Winning the Loser's Game, the sixth edition of which is due in July. Founder of the financial consulting firm Greenwich Associates, Ellis has also served as a director of Vanguard. Today he still worries about investing costs, as well as the challenges that aging boomers face from low bond yields, uncertain stock returns, and dubious financial come-ons. Ellis, 75, spoke recently with Money editor-at-large Penelope Wang. Their conversation has been edited. Despite recent highs, bear markets and crises have made our readers nervous about stocks. What's your advice for them? Ben Graham said that people pay too much attention to what the market is doing currently. And he wrote his wonderful book Security Analysis in 1934. If people look backward, they will have one set of views. As they look forward, they'll have another. What kind of returns should people expect? Seven percent annual average returns for stocks over the next decade is the consensus among the investing pros I talk to. Minus inflation and expenses. So you're looking at a real return of 5% or less, which is not a lot. But over time you can still do pretty well. So they should be buying stocks? They should absolutely invest in a low-cost index fund. But nonprofessionals should forget about stock picking. For an individual investor, it's like my saying, "I'd like to play football with the NFL." You've got to be kidding. You don't recommend giving money to pros to manage either. Most active managers underperform because of fees. Some 80% of them would slightly beat the market, but after fees, their returns end up being below the market. You've said that people should think differently about fund costs. We've been describing fees in a way that really is nonsense. We ought to look at fees not in terms of assets, but as a percentage of the incremental returns of a fund — how much extra return you can expect over a comparable index fund. Think of the 7% expected long-term returns of stocks. A 1.5% fund expense ratio is a big fraction of that 7%. Now compare that with an index's expected returns. How much more can you expect from an actively managed fund? Your fee wipes out any advantage — assuming you get those extra returns. Fees as a percentage of incremental returns are unbelievable. Let's turn to bonds. What's your take on them, given ultra low rates? The best piece of advice I could give long-term investors today is don't own bonds. And if you do own them, you probably ought to move out of them. Right now the Federal Reserve is set on keeping rates down. The yield on a 10-year Treasury bond is under 2%. When yields go back to their historical average of 5.5%, an intermediate bond fund could go down 25% in value. People who are putting their retirement money into safe — quote, unquote safe — bonds can get hurt badly. So someone with half of his or her money in bonds should move it into cash? Moving entirely out of bonds into money funds or bank CDs may be too extreme for some people. But you can diversify more. You could look at foreign bonds or dividend-paying stocks, though you will be taking on more market risk than you would with CDs. Or you could perhaps stick with a short-term bond fund, which would fall less if rates were to rise. There's no simple answer. How and when might bond investors get hurt? The Fed has enormous information about the economy, and two smart people heading it: vice chair Janet Yellen and chairman Ben Bernanke. They will just likely judge that the time has come to stop pushing rates down. They'll look for signals like lower unemployment and higher inflation. I would expect to see rising rates in the next three, five, 10 years. So what should pre-retirees do if they don't know how to be invested for retirement? One thing they should beware of: Bad guys are tracking who's getting close to retirement. And they're targeting people with pitches — mail, email, phone calls. You get a lot of very sexy propositions: "Now is the time for you to break free" and "You're entitled to control of your investments." "This is, after all, your money. You should get it done your way." All this "you, you, you" stuff. The truth is, in all too many cases, people will get stuck with something that costs way too much and won't deliver on promises. How can you avoid getting stuck? Anyone rolling over an IRA needs to be super-careful. If you hear from someone that you don't know or someone from a firm you've never heard of, check them out. There are a lot of tough players out there who are selling all types of products and who don't really worry about what happens to you. So if you're being offered something, ask the salesperson to put the numbers in writing and ask him, "Would it be a good idea if I run this by my accountant or my lawyer?" If he doesn't like that idea, that tells you something. It's not just about a particular product, but also about how you buy it. Low-cost annuities are a good idea, but sales commissions often make them not that good a deal when you purchase them. You should check fees rigorously. There are usually several ways to buy anything. You also think that people should adjust their timetable for investing. For someone around the age of 60, a 30-year time horizon for investments is perfectly sensible. If you have a younger spouse, it could be even longer than that. You can change your behavior by thinking really long term. You can stop being flustered so much about daily market moves or even what the market does this year. The longer your time horizon, the more you will surely invest in equities, which will help you build financial security. With a long time horizon, you will also focus more on protecting your family — your spouse and your kids — even after you're gone. I'd like to help my grandchildren get to college. Photo Courtesy: Maskot/Getty Images Money is an essential aspect of life that we can't take for granted in the society we live in today. Money can enrich our lives and put us into a position to enrich others. If we use our money smartly and intentionally, it has the power to bring about our hopes, dreams, desires and goals.By exploring why we use money, why we need money and the benefits of money, we can also recognize the disadvantages of earning and having money. Only when we learn what money is and how to treat it like a tool can we understand why it's so important. Photo Courtesy: narvikk/Getty Images The reasons we use money are a little more complicated than the fact that it allows us to buy things. Money represents exchanges within the economy, and nearly every society uses some form of currency as a means to pay for goods and services. Merriam-Webster defines money as "something generally accepted as a medium of exchange, a measure of value, or a means of payment" in the form of coins, paper notes or different types of accounts. The Oxford English Dictionary explains it as "Current coin; metal stamped in pieces of portable form as a medium of exchange and measure of value." Put simply, if you want to purchase something, then you'll have to give some form of money in return.At a national level, countries assign a central bank control over the production and distribution of money. For example, the United States went from the gold standard to the Federal Reserve System with the passing of the Federal Reserve Act of 1913, explaining that it gives the country "a safer, more flexible, and more stable monetary and financial system." Photo Courtesy: Busakorn Pongparnit/Getty Images On a large scale, we need money as a means to regulate and stimulate the economy. On a more personal level, money helps us achieve our goals. Many people have a desire to raise children. Others are dedicated to a life of service, giving to those in need of various resources. All of us have some desire to maintain good health. And you might be hard-pressed to find someone who doesn't want to travel the world to experience different countries and cultures. All of these activities and goals require a considerable amount of money. And regulating money, whether by a national government or central bank, is the most accessible means to determine what is valid currency and what is not.Robert Kiyosaki of Rich Dad writes, "That's why money is important to me. Money is important, but I don't want to spend my life working for it." Essentially, it's helpful to have a balanced outlook on and attitude about money to be successful with it. Kiyosaki says, "The truth is that money isn't everything, but it does help us do everything we love." Photo Courtesy: Halfpoint Images/Getty Images There are numerous benefits to having money. Not only does it help us do everything we love, but it also helps us help others. Some very generous people contribute their accumulated wealth to others in need. Money can lift spirits, and it can realize dreams. Money is also the pathway to adventure and security in retirement.You might agree with those who say that money is the root of all evil and cannot make us happy. But you might also have a dream to start a small business that you hope to leave to your children or expand into a larger venture to serve multiple communities. Money from investors, a large inheritance or even the lottery is often required for entrepreneurs to compete in a capitalistic society. This leads us to the downsides of having money. Photo Courtesy: Westend61/Getty Images Money can cause happiness, in large part because it makes people feel secure. But money can also cause plenty of stress and anxiety. Being in debt is a significant concern among most people. In May 2019, a Gallup poll found that 56% of Americans generally feel pretty good about their financial situation. But, 45% of Americans believed their financial situation was between "only fair" and "poor." A staggering 25% of people who are "worried about money all of the time" are primarily afraid of retirement and unforeseen medical expenses.Another downside to money is the harm that it can cause. Money is used to exchange arms that oppress millions of people around the world. It can cause greed or a strong desire to accumulate resources simply to possess them, keeping those resources from being put to use to help people. When people think about the negative consequences of money, they often wonder how much of it is necessary to satisfy someone. Photo Courtesy: The Good Brigade/Getty Images Some people might say too much money is never enough, while others believe in limiting how much wealth individuals and businesses should accumulate. It's been a debate within governments and ruling bodies for years. The answer is complicated and probably lies somewhere in between. There's only so much wealth a person can spend within their lifetime, and it may not be necessary for them to continue accumulating wealth beyond that — keeping it from others in the process.On the contrary, someone may want to accumulate enough wealth for future generations to live comfortably. Taking care of family and leaving a legacy is important to some people. It's a decision each individual has to make for themselves. How much do you and your family need to live a comfortable life through retirement? And how much do you need to help others? Photo Courtesy: Peter Cade/Getty Images Money is necessary to further the cause of commerce. A healthy global economy means more opportunities for developing nations and people in need. Money is essential, but too much wealth in one area or in one person's hands can lead to an unbalanced class system.Money is necessary to accomplish objectives we've laid out on our personal life paths, and global markets require money to function. You can think of money as a tool to use to navigate these paths. Ultimately, because of the capitalistic economies of the countries we live in, money is necessary to improve our lives and the lives of those around us.

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