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RETIRING

D.I.Y. Retirement Investors Have a Low-Cost Friend: Newsletters

For people who don't want to pay high adviser fees and want to hold investments long term, the newsletters can be beneficial.

By Joshua Brockman

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For Lori Walla, subscribing to an investment newsletter means more than the advice she gets to help her and her husband, Quincy, manage their Vanguard I.R.A.

Researching mutual fund options is an important part of her cognitive rehabilitation after a stroke in 2002 forced her to retire early from her job as a freelance court reporter. Just a year later, Mr. Walla, a hard-rock miner, was badly injured in an underground accident. Ms. Walla, 52, said both she and her husband, 61, now live on workers' compensation and disability.

Following a newsletter strategy gives the Wallas, of Weiser, Idaho, an affordable way to grow their nest egg. There are a handful of low-cost newsletters available with decades-long track records that provide independent advice. They are not produced by the fund companies they cover. And they offer guidance through monthly digital and print publications, model portfolios, weekly hotlines and website access, all at a small fraction of the cost of investment fees charged by financial advisers or portfolio managers.

In 2019, those fees cost an average of nearly 1.3 percent for households with invested assets up to $100,000, according to Cerulli Associates (the fees typically decrease as a household's investable assets increase). Robo-adviser accounts usually cost less: Vanguard charges 0.30 percent, and Fidelity's start at 0.35 percent.

Instead, the Wallas subscribe to the Independent Adviser for Vanguard Investors, which costs $229 per year.

"Since we started with the newsletter, we seem to have done twice as well," Ms. Walla said. For the decade before 2013, when the couple wanted to learn to invest more effectively with Vanguard and began subscribing, the Wallas' individual retirement account earned an annualized 6 percent rate of return, she said. Then it started climbing after the couple began following the newsletter's model portfolios. They earned 24.9 percent in 2019. For the decade ending in 2019, they earned an average of 12.7 percent.

In this bull market, with the total return of the S&P 500, including dividends, up 31.5 percent for 2019, and more than 1.5 percent year to date, investors have reason to celebrate. The start of the year also affords D.I.Y. retirement investors like the Wallas an opportunity to take stock of their holdings and any fees they pay. Since 2012, more than one-third of American households — nearly 35 percent on average — have followed a "self-directed" investment strategy, according to Cerulli.

Daniel P. Wiener, the founder and co-editor of the Independent Adviser for Vanguard Investors, started the newsletter in 1991 while working as a financial journalist to help his family and others invest for retirement. It's now owned by InvestorPlace Media, which also owns Fidelity Investor.

Mr. Wiener created three investment model portfolios — Growth, Conservative Growth and Income — that were "designed to provide growth with varying risk" using Vanguard's best funds, he said. In 1995, he added a growth index model because of subscriber demand for an index-only option. The Wallas are following a combination of the Conservative Growth and Income models, which earned 11.3 percent and 10 percent, annualized, over the past decade, and 23.4 percent and 22.5 percent in 2019.

"People read and subscribe to the newsletter because they subscribe to the philosophy of investing versus trading, earning long-term gains that compound on themselves, staying the course and, yes, finding the best active managers at a shop that markets indexing over all else," Mr. Wiener said. Among the 30,000 to 40,000 subscribers, he said, are some with portfolios in the high seven digits.

Mr. Wiener and his co-editor, Jeff DeMaso, often remind subscribers that they invest their own money in the same funds they recommend. Mr. Wiener is also the chairman of Adviser Investments, an investment advisory firm in Newton, Mass.,

with $6 billion under management. He said the firm's 401(k) options for its own employees comprise some of the same funds the newsletter recommends.

Mr. Wiener's tenure at the helm of the newsletter hasn't been free of friction with the company he covers: In 1993, Vanguard sued the newsletter for trademark infringement in a case that was settled.

A print newsletter appeals to investors like Tom Yoder, 76, who said he had subscribed to the Morningstar FundInvestor since 2004 and reads it from "cover to cover," taking notes in the margins.

Russel Kinnel, the editor of Morningstar FundInvestor, which was first published in 1992, said the majority of the 20,000 subscribers were older investors who received the print edition for $165 a year. "It is very heavily do-it-yourselfers," he said. "In many cases, they came to us after being burned by brokers who turned out to be salespeople rather than investors."

Mr. Yoder, who lives in Dallas and retired six years ago from Fannie Mae, said he self-manages eight no-load equity mutual funds in his I.R.A. to avoid an annual fee or other sales charges. He keeps enough cash to cover three to four years of expenses in his taxable accounts as a counterweight. Because of his equity focus, Mr. Yoder said, his choices are "critically important." He relies on the Morningstar newsletter to "keep me alert to fund and market changes."

Morningstar FundInvestor, which is owned by the global financial services company Morningstar, has 500 mutual funds to choose from and evaluates these funds with both its forward-looking analyst or "medalist" ratings and its star ratings based on past performance. The newsletter has 40 Morningstar analysts serving as rotating authors. Mr. Kinnel said he also invested his own money in medalist funds and in the managers and funds he recommends.

Mr. Yoder said his goal was to beat the S&P 500. His retirement account was up 31.1 percent in 2019. Morningstar FundInvestor, he said, has helped him to beat the index for 13 of the past 15 years without timing the market or chasing yield.

The newsletter Fidelity Monitor & Insight has a Growth model that started in 1986, its longest-running portfolio, with a risk/return ratio that's right in the middle of its five model portfolios. That's what appealed to Jesse Heines, 71, a computer science professor emeritus at the University of Massachusetts Lowell who lives in North

Chelmsford, Mass., for managing his Fidelity taxable and retirement I.R.A. holdings. Mr. Heines said he and his wife relied upon his monthly pension and their Social Security benefits to cover their expenses.

Mr. Heines said his accountant recommended in 2006 that he leave his financial adviser because of bad advice, a lackluster return and annual fees of $5,280. His accountant thought he could do better by following one of Fidelity Monitor & Insight's models at a tiny fraction of the cost. Today, a subscription costs $159 a year.

To follow the Growth model, Mr. Heines said, he considers all of his Fidelity holdings as a single account.

"I only trade when the weekly 'hotline update' email tells me to do so," he said. This strategy "helps me sleep at night," he added. "I don't worry that I should have bought something or sold something else."

In 2019, the model called for only three trades and earned 29.8 percent. Over the past decade, it earned an annualized 11.8 percent. Mr. Heines stayed the course even during the 2008 financial crisis: "From the bottom in March 2009 it took less than two years for my portfolio to rebound to its pre-drop value," he said.

Jack Bowers, president of Independent Fidelity Investors, the publisher of the newsletter, which has about 18,000 subscribers with an average age of 75, said he consulted with the editors John Boyd and John Bonnanzio to determine trades for the five model portfolios: Select, Unique Opportunities, Growth, Growth & Income and Income.

"I think the newsletter approach works well for those who follow the models consistently without trying to improve upon them with alternate strategies or timing systems," he said.

Mr. Bowers said he and his co-editors invested their own money, too, using the newsletter recommendations. He is also the chief investment strategist of Weber Asset Management in Lake Success, N.Y., and the chief executive of Bowers Wealth Management in Reno, Nev., two advisory firms with approximately $500 million under management that provide clients with additional options beyond the newsletter model portfolios.

Mark Hulbert, a MarketWatch senior columnist whose Hulbert Ratings company analyzes investment newsletters for a fee, said the best way to pick one isn't simply by choosing the best rate of return.

"A strategy that is statistically superior may not be a good strategy for you if you don't have the discipline to follow it," he said. "The key we find to long-term success is the ability to actually follow something through thick and thin, which often means through a bear market."

Retirement investors can also split the difference. They can work with an adviser to help customize a plan and troubleshoot tax consequences while reading newsletters to learn more and to critically analyze what they're told.

Still, newsletters with longstanding track records for their model portfolios seem to offer some investors peace of mind even in the thick of a storm.

"We don't worry much about market volatility because investing is a marathon. You just stick it out," Ms. Walla, the Idaho investor, said. "We like to be in things for the long haul."