John C. Bogle, Founder of Vanguard Group, Dies at 89

Bogle's campaign to cut fees put him squarely into a U.S. tradition of iconoclastic discounters

Jack Bogle, a fierce advocate for American investors and the founder of Vanguard Group, died Wednesday at age 89. Mr. Bogle almost singlehandedly popularized index funds. WSJ's Jason Zweig, who interviewed him dozens of times, recounts Mr. Bogle's long and influential career. Photo: Reuters

By Jason Zweig and Sarah Krouse

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American investors have lost the fiercest advocate they may have ever had.

John Clifton Bogle, founder of Vanguard Group and a crusader for investors' rights for more than three decades, died in Bryn Mawr, Pa., on Wednesday at age 89. The company announced Mr. Bogle's death.

"If all investors had heeded his ideas, they would be hundreds of billions of dollars better off than they are now," financier Warren Buffett told The Wall Street Journal in 2009.

Through the sheer force of his will, Mr. Bogle, known as Jack, almost singlehandedly made index funds—which hold virtually every security in a given market—a practical and popular option for institutional and individual investors alike. He created the first mutual fund tied to an index in 1975.

"Jack Bogle made an impact on not only the entire investment industry, but more importantly, on the lives of countless individuals saving for their futures or their children's futures," Vanguard Chief Executive Tim Buckley said in a statement.

Under Mr. Bogle, who retired as Vanguard's chief executive in 1996, Vanguard continually cut the costs of investing, eventually stoking a fee war that roiled an entire industry and created a money-management giant in the Philadelphia suburb of Malvern. Vanguard is now the second-largest asset manager in the world, with $4.9 trillion in assets under management at the end of 2018.

His campaign to cut fees put Mr. Bogle squarely into an American tradition of iconoclastic discounters like Henry Ford of Ford Motor, Sam Walton of Walmart and Michael Dell of Dell Inc.—men who built giant companies by selling directly to the consumer at rock-bottom prices.

By putting the ability to own a stake in the entire stock market into the hands of any investor who could scrape together what was for many years Vanguard's required account minimum of $3,000, Mr. Bogle helped democratize financial markets.

Holders of index funds can match the market for a fraction of the cost of traditional funds. The resulting savings—billions of dollars a year—have gone straight into investors' own pockets. Vanguard's asset-weighted average fee has fallen in the past 20 years to 0.10% from 0.27%, according to Morningstar Inc. Many traditional funds still demand 1% or more.

Mr. Bogle was alone among mutual-fund leaders in having his own groupies—a following of investors who are dedicated to his principles of low-cost, long-term investing. Members of an official group of these fans call themselves "Bogleheads."

In a speech in 2005, Nobel Prize-winning economist Paul Samuelson praised Mr. Bogle's creation of the retail index fund as equal in importance to "the invention of the wheel, wine and cheese, the alphabet and Gutenberg printing."

Mr. Bogle's championing of index funds may also have had unintended negative consequences. By enabling anyone to own a broad swath of the market at minimal cost, some critics say index portfolios—especially in the form of exchange-traded funds—may have encouraged excessive trading, higher volatility and a lower sensitivity to the risk of overvaluation. ETFs trade like stocks on exchanges.

Born in Montclair, N.J., on May 8, 1929, Mr. Bogle and his twin brother David arrived five months before the Great Crash that began that October wiped out much of their family's wealth. Mr. Bogle delivered papers and worked as a waiter growing up.

At Blair Academy and Princeton University, Mr. Bogle said he initially struggled with the subject of economics. An article about the mutual-fund industry in the December 1949 issue of Fortune magazine inspired his 1951 senior thesis, titled "The Economic Role of the Investment Company." He graduated from Princeton *magna cum laude* in economics.

Mr. Bogle's first job in the investment world was as a clerk to Walter L. Morgan, who founded the first-ever balanced mutual fund at Wellington Management.

Despite his eventual advocacy for index funds, Mr. Bogle was contemptuous early in his career of the idea that trying to beat the market was a waste of money.

In 1960, under the pen name John B. Armstrong, he wrote a lengthy article for the Financial Analysts Journal in which he ridiculed the very idea “that the mutual fund itself should buy the market average,” or settle for a return no better than that of a benchmark like the Dow Jones Industrial Average or the S&P 500 index. In 1973, he gave a speech insisting that “the average individual is getting ‘above-index’ results in mutual funds” and that “neither compensation of salesmen, nor profitability of broker-dealers and underwriters, is excessive.”

Only after he was fired as Wellington’s president in 1974 by his partners and launched Vanguard as an independent company the following year did Mr. Bogle challenge the industry’s prevailing orthodoxy that price was a signal of quality and embrace low-cost investing.

Mr. Bogle chose to organize Vanguard as a mutual company, an idea he said he had unsuccessfully pitched to his Wellington colleagues years earlier. Along the lines of a consumer cooperative, the firm would be—and still is—owned not by private shareholders who seek to maximize their own profits but rather by its fund investors, who earn higher returns as Vanguard drives costs lower. In 1977, Vanguard also went “no-load,” eliminating the sales commissions and all middlemen on its funds.

Mr. Bogle’s insistence on integrity, which often struck many of his competitors as sanctimonious, steered Vanguard clear of the scandals that periodically swept through the mutual-fund industry. Still, when it came to corporate governance, Mr. Bogle became a greater proponent of index and other funds harnessing their power on shareholder votes after his tenure at Vanguard than he was during it.

At Vanguard, Mr. Bogle paid himself well but not lavishly, though he and other firm executives have never publicly disclosed those figures. Mr. Bogle frowned on ostentation, driving a Volvo station wagon, vacationing in Lake Placid, N.Y., flying economy class and haggling for discounts at hotels.

Vanguard continues to take a similarly thrifty approach to its business at its Malvern campus, whose plain brick buildings bear the names of warships. Mr. Bogle, a fan of British Adm. Horatio Nelson, named the firm Vanguard after Adm. Nelson's ship in the 1798 Battle of the Nile and referred to employees as "crew."

Despite Mr. Bogle's age and lengthy career, he had chronic coronary failure and suffered at least seven heart attacks—the first at age 31. He endured a malfunctioning pacemaker before finally receiving a heart transplant in 1996.

"I didn't think about [dying]," he told an interviewer in 2007. "I just got on with what needed to be done."