


# Don’t Make this Investing Mistake

There's a movement underway that will pick the pockets of millions of Americans who do the right thing and save for their retirement.

It’s coming from Uncle Sam by way of executive order.

President Trump signs *a lot* of executive orders. The most in modern history. So many that his hand must be cramping. He may sign an executive order allowing private investments such as hedge funds and private equity into 401(k) plans.

Hopefully, the ink in his pen runs dry before he signs this order.

It will be a disaster for investors, and while I cannot provide personalized investment advice, I strongly suggest *not* investing in this type of fund.

Private equity *promises* outsized returns. According to Partners Group, private equity returns 14.3% compounded annually over the past 20 years. Meanwhile, the stock market (MSCI World) returned 8.1%  annually over the same period.

Notice that study leaves out the better performing S&P 500. And, private equity returns are likely overstated.

More recently, since 2022, the S&P 500 returned 12% compared with 6.8% for private equity.

The private equity returns are often *overstated* because poorly performing funds stop reporting their returns. Or they go out of business. It's called "survivorship bias."

Hedge funds are another matter. Many funds don't "hedge" anything. It's just a common term for a compensation scheme whereby investors pay a percentage of the profits to the management team.

Fees can be very high—for example, an investor might pay 2% on assets and 20% of profits.

That's precisely why 401(k) plans want these funds in their offering.

Fees.

*High* fees.

When it comes to investments such as the S&P 500, Nasdaq 100, or Russell 2000, it’s a race to zero. Fees have collapsed. That’s great for investors and terrible for 401(k) plan managers.

401(k) managers oversee $12 trillion in assets with *declining* fees.

401(k) managers are for-profit organizations. Their job is to make money for *themselves*.

The fees you pay on your investments are a *massive* contributing factor to how much money you end up with in your retirement.

If you pay 1-2% a year to have your assets managed instead of 0.03% in an index fund, then over 35 years, compounded annually, the difference is *substantial*.

The fund manager is driving around in a Ferrari and you're scratching to eat ramen noodles for dinner at night.

Simply put, avoid these funds like the plague.

For anyone who has a 401(k) plan through their employer, it's easy to build a substantial nest egg. It's so easy a five-year-old could do it.

First, max out your contributions. Employers often match contributions to a certain degree. It's free money. Then periodically buy the market paycheck after paycheck.

Ignore the noise. Don’t watch CNBC.

Do it consistently and over your career.

Walk away with $1 million or more.

I wouldn’t invest my 401(k) savings in this stuff with counterfeit money.

If you have other savings, then consider investing in different areas such as precious metals, fixed income, newsletter recommendations, or other investment options.

The 401(k) plan providers are not your friends. They don’t care about you. They care about high fees.

Ignore the above at your peril.

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