

CFO

Sounding Off on 401(k)s

We are in the middle of a secular bear market. It started in early 2000, and if history is any guide, will last anywhere from 15 to 18 years. In markets like this the “buy and hold” investment strategy does not work well. Modern Portfolio Theory, on which most 401(k) allocations are built, performs poorly. But you can make money in markets like this, if you know what you’re doing. Unfortunately, that precludes most mutual-fund companies, retail stockbrokers, and registered representatives.

More regulation, more due diligence, more government involvement, more education, more information for employees, and so on, all miss what we have found to be the most important point: people want advice. And this advice needs to be independent, objective, unbiased, and not influenced by the platform the fund choices sit on.

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