

10 Very Low Cost S&P 500 Index Mutual Funds

Category : Index Mutual Funds and Index Exchange Traded Funds (ETFs)

Published by [The Skilled Investor](#) on Jun/18/2007

10 Very Low Cost S&P 500 Index Mutual Funds Regular readers know that *The Skilled Investor* advocates a very boring (but usually much more profitable) low cost, broad market, passive index mutual fund investment strategy. Costs less. Gets the broad market return -- whatever that will be. Narrows the range of outcomes and therefore the risk to your long-term personal financial plan. Takes far less time. Furthermore, extensive financial research has shown clearly and overwhelmingly that a passive, low cost index strategy for individual investors tends to be superior from a risk-adjusted, after-tax net returns standpoint. *The Skilled Investor* advocates strategies that are in line with the general investment strategy stated above. You will never get a stock or bond tip here. Ever. Purchasing individual stocks and bonds tends just to be a big waste of your valuable money and time. Very broad and very low cost passive index mutual funds and ETFs are the way to go. Funds can give you professionally managed, cheap, and broad diversification that you cannot achieve by yourself. (See these articles on *The Skilled Investor* website: "[Investment securities markets do not pay you for the risks of holding individual common stocks and bonds](#)" and "[What is the cost to individual investors of sub-optimal portfolio diversification?](#)")

(Concerning the boring aspect of all this, this strategy also means that you are more likely to reduce your personal production of stomach acid. When you decide NOT to spend some small or large proportion of your life paying attention to the fates of individual companies that you cannot foresee or cannot control, then you have less to worry about. However, a passive strategy will still give you the excitement of riding bull and bear markets, as if you really need that kind of unavoidable stimulation.) Unfortunately, the index mutual fund investment space has become a minefield for individual investors in recent years. Given the growing popularity of index fund investing, many new supposed "index" mutual fund and ETF products have been introduced to the market that may not necessarily serve the interests of passive, buy and hold investors. Some of the index investment land mines out there are high index fund costs, active "index" management, and new indexing definitions and concepts that stray from the original asset weighted capitalization concept that has served individual investors so well for several decades. Measured by invested assets, the S&P 500 index is the most common index fund benchmark in the U.S. The S&P 500 tracks about 75% of publicly traded U.S. equity market asset value. You might think that you can pick any old S&P500 benchmarked index fund or ETF and thereby adopt a passive, low cost, broad market index strategy. Nope. Life just never seems to be that easy. The dominant issue with S & P 500 index mutual funds and ETF funds is that securities industry fees are all over the map from reasonably low to shockingly high. If you are not careful, there is even one S & P 500 index fund out there that will charge you 2.71% annually for management fees and 12b-1 investment sales fees combined. You might ask, what is the value added for such high fees, when you can purchase S&P 500 index mutual funds directly from other fund families at just a .1% annual management fee with no sales charges? There is no value-added. None. Zip. Nada. If you are naive enough to pay higher investment costs for commodity index funds, then these ridiculously high fees are just a wealth transfer from you to the industry that repeatedly bleeds your personal investment portfolio year after year. So, how can you find low cost S&P 500 Index Mutual Funds? There are a couple ways. First, you could read these fund screening articles by *The Skilled Investor*: "[Selecting Investment Funds](#)," "[Screening index mutual funds on-line with IndexUniverse.com](#)," and "[Screening mutual funds on-line with Morningstar.com](#)." Then, use

IndexUniverse.com and Morningstar.com to screen funds and find those with very low costs and other characteristics that you want. Also, you should read this article on *The Skilled Investor* website: "[Scientific mutual fund and ETF screening criteria -- a summary](#)." Get educated and get smart about selecting mutual funds and ETFs. Picking them just because they have 4 star and 5 star ratings and a nice historical performance graph could lead to lousy, sub-par results. See: "[Investment astrology – should you pick investments according to the Morningstars?](#)" Historical performance is just industry marketing bait for naive, performance chasing investors, who very often arrive at the party too late.

Second, you can read this research article, " [S&P 500 Index Mutual Funds: Diverse expenses and performance characteristics](#) ."

Haslem, Baker, and Smith analyzed the investment expenses of S&P 500 index mutual funds and found a very wide dispersion of management fees and total expense ratios. Without all their research details, which you can read yourself, Haslem, et.al. simply found that higher expenses just lowered investors' net returns. They grouped S & P 500 index funds by expense groupings from low to high, i.e. standard deviations around the average expense ratio. They reported a list of twenty-five retail and institutional index mutual funds with lower costs. Excluding the obvious institutional funds, here are the remaining low cost S&P 500 index mutual funds that it seems an investor might be able to buy retail.* Click on any of the listed index mutual funds below to read *The Skilled Investor's* Fund Authority Summary for this fund.

->[California Investment S&P 500, Inv \(SPFIX\)](#) ->[Fidelity Spartan 500 Index, Inv \(FSMKX\)](#) ->[Schwab S&P 500 Select, Inv \(SWPPX\)](#) ->[SSga S&P 500 Index, Inv \(SVSPX\)](#) ->[T. Rowe Price Equity Index 500, Inv. \(PREIX\)](#) ->[United Association S&P 500 Index, Inv \(UAIIX\)](#) ->[USAA S&P 500 Index Member, Inv \(USSPX\)](#) ->[Vanguard 500 Index Admiral, Inv \(VFIAX\)](#) ->[Vanguard 500 Index, Inv \(VFINX\)](#) ->[Vantagepoint 500 Stock II, Inv \(VPSKX\)](#) There may be other restrictions, costs, and purchase conditions associated with buying the lower cost index mutual funds in the list above, so pay attention when you shop. Also, note that there still is a noticeable range of total annual expenses within this list. Haslem, Baker, and Smith reported that the mean or average expense ratio was .19% per year. Since many of the obvious institutional funds were removed from Haslem, Baker, and Smith's initial list of 25 lower cost index mutual funds that track the Standard and Poors 500 composite index, therefore the average expense ratio for the remaining list could be higher. Furthermore, you can purchase many of these Standard & Poors 500 composite index mutual funds directly from the sponsoring fund family, which will keep your costs down. However, some of these index funds may only be available through a broker or investment advisor, and this could substantially increase your purchasing and annual expense costs. Therefore, it might really pay you to shop around even within this list. Even a .1% annual expense difference can mount up year after year after year. Use your favorite search engine to do your own research online. Finally, there are no ETFs in this list. If you want to find low cost S&P 500 ETFs, consult the online screening tools articles referenced above. NOTE: JUST BECAUSE A FUND FAMILY HAS A LOW COST S&P 500 INDEX MUTUAL FUND ON THE LIST ABOVE DOES NOT MEAN THAT ALL OF THAT FUND FAMILY'S S&P 500 FUNDS ARE LOW COST. Always be careful and check expenses before investing. Note that the reason many index funds were more expensive was because they were A, B, and C share classes, which are sold through brokers and investment advisors. You can buy some index funds directly and cut out these expensive broker and advisor intermediaries, if you do not think they really add value when you buy a passive, broad market index fund. (See these articles by *The Skilled Investor*: "[The heavy burden of recurring investment fees](#)" and "[Can you really get free and objective investment advice, when you pay investment sales loads?](#)")

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