

Foreword

A good deed never goes unpunished. You scrimped and saved to get your college degree and teaching certificate. You endured the inanities of the public school bureaucracy, threadbare educational budgets, demanding parents, rapidly shrinking health care coverage, and salaries that would not be envied by a twenty-something assistant manager at McDonald's.

But the crowning insult is the retirement plan you are saddled with: the 403(b). If your 403(b) looks like most, it's larded with fees and expenses that will slowly leach your retirement assets over the decades and contains nowhere near enough diversification to properly control risk. Worst of all, you are the investment genius who has to see things through. That's because most schools have ceded responsibility for the 403(b) to you, the individual. It's as if they bumped you from your flight to Cleveland on a Boeing 777 into a Piper Cub. And no one thought to give you flying lessons.

Teach and Retire Rich is your map of and survival guide to the financial heart of darkness you've been parachuted into. You'll learn the lay of the land, the combat strategies you'll need to survive, what the predators look like, and, most importantly, how to stay as far away as possible from them.

How much do you need to retire? When can you retire? How does a pension work? What is a 457(b)? What funds should you buy? As Dan will explain, that's duck soup. The hard part is mustering the discipline and nerve to see the thing through.

Like dieting or quitting smoking, the planning is easy; it's the execution that causes problems.

It is also important to know about something called “market efficiency”—the concept that although some investors outperform others, this apparent superiority is due to luck, not skill. This profound insight has earth-shaking implications for small investors like yourself:

- Superior mutual fund returns usually do not persist; making your fund selections on the basis of prior performance is a fool's errand.
- Since performance cannot be predicted, one thing, and one thing only, matters: expenses. And mark me well—the typical 403(b) plan contains some of the most egregiously expensive fund choices in the entire universe of investing. Getting the least expensive and most efficient fund vehicles into your portfolio will involve not just choosing the pick of the litter from your plan's list; you may have to educate and lobby your union and school administration to get a decent selection.

6.....

You will not be able to avoid learning a little bit about financial theory—the essential relationship between risk and return, why markets are unpredictable, and what it means for your retirement. Dan will make this as painless as possible, and who knows, once you understand how the markets work, you may actually begin to enjoy the process.

You can retire rich, but it will require knowledge, discipline, and, yes, not a little luck. Successful investing is a lifelong journey; let Dan provide you with your roadmap and travel kit.

WILLIAM J. BERNSTEIN, Ph.D., M.D., a neurologist and best-selling author of investment books such as *The Four Pillars of Investing* and, most recently, *The Birth of Plenty*, likes to joke that “investing isn’t brain surgery.” One of the most respected financial thinkers and writers of our time, he counts Vanguard founder John C. Bogle as an admirer. To learn more about Dr. Bernstein, visit www.efficientfrontier.com.

FROM DAN OTTER

As I make the updates to this latest edition (6th!), the nation and indeed the world are slowly emerging from the worst economic crisis since the Great Depression. As painful as this period has been, and continues to be, for investors it is what educators like to call a “teachable moment.” On March 6, 2009, the S&P 500 closed at 683.38. On December 9, 2010, the S&P 500 closed at 1,240.40. I suspect that far too many investors—especially those who supposedly are investing for the long term—jumped out of the market in 2009 and have either returned or are contemplating a return. Sadly, these investors have, or will have, lost twice: they sold low, and have bought or will buy high. Since the first edition of *Teach and Retire Rich* in 2005, the central theme of this book remains the same: supplement your pension plan by saving little bits of money over long periods of time in well-allocated, low-cost investments. Focus on the long term. Ignore short-term fluctuation. I stand by the words I wrote in 2005 that also appear in this edition: “History tells us that investors who properly allocate investments and take a long-term perspective have the best chance of realizing their retirement goals” (p. 128).

Two important updates since the last edition in 2009:

- 1) I have launched *Pollinate, the Teacher Financial Literacy Project*, whose goal is to improve teacher financial literacy, and the teaching of financial literacy (www.pollinateproject.org); and
- 2) I met Vanguard founder John Bogle, creator of the index fund and investor advocate. He signed a copy of his new book *Don't Count On It! Reflections on Investment Illusions, Capitalism, "Mutual" Funds, Indexing, Entrepreneurship, Idealism, and Heroes*. Mr. Bogle's inscription: "Press on, regardless!" Indeed I will.