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prenuptial or postnuptial agreements; and, of course, your life insurance policies.

User IDs and passwords

You probably have long lists of online accounts your heirs should have access to.

"It is wise to take a moment to create an updated list of user names and passwords or PINs for important websites and apps, such as your primary email account," Walters says.

Contact list

Finally, your binder should include a list of everyone who may have to be contacted. Walters recommends including your attorney, accountant, investment adviser, insurance agent and business partners. Also include current and former spouses, parents, children and grandchildren, siblings, other relatives, and close friends — anyone who may have an interest in knowing about your situation.

You don't need to complete the whole binder at once, Charnet advises. Assembling the legal paperwork itself may take a couple of visits with your attorney, and the other items can be done one at a time.

"Perhaps the most important step — and often the hardest — is initiating a discussion with your family and loved ones," Walters says. "It's important that they be able to discuss your wishes with you while you're still in a position to communicate clearly. Don't wait for your loved ones to ask; the burden is on you to begin these conversations."

Sometimes passive is good

Why index funds should be part of your portfolio

By Jeffrey Steele

Most financial advisers suggest keeping at least some portion of your retirement funds in a passive investment, such as one that merely tracks a market-weighted index.

These are generally called index funds. Index funds often are based on well-known indices such as the Standard & Poors (S&P) 500, Wilshire 5000 or Dow Jones Industrial Average.

Index investing is not a bet against active management, explains Robert Bacarella, founder, president and portfolio manager with Monetta Financial Services in Wheaton, Ill. Instead, it is an asset allocation strategy that provides some certainty that you will match market returns on at least a portion of your portfolio.

Because humans aren't paid to pick the holdings in an index fund, they are usually less costly to own than actively managed funds. And because they track components of an entire index, they generally offer excellent diversification.

As you near retirement, having that double advantage — low cost and good diversification — is especially attractive.

A number of myths have kept some from investing in index funds,

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says Dejan Ilijevski, president of Sabela Capital Markets in Munster, Ind. One is that fees correlate with returns, and that by paying more you also gain more. The expense ratio for index funds is close to zero, much less than the industry average of more than 1 percent.

"On the contrary, the lower the fees, the higher, usually, are your odds of success," he says. "High fees only guarantee more wealth will trickle up from your account to the pockets of your stockbroker or advisor. Fees and costs squander returns."

Another myth is that index investing means settling for average. Wrong again.

"Disciplined investors who rely on low-cost index funds for the long term have done better than most of their peers and the professionals," Ilijevski says. "It's anything but average."

According to Bacarella, index funds have many upsides. One is they reflect the overall market return. An S&P 500 index fund, for instance, will reflect the S&P 500 index, which over time has averaged about 8 percent return yearly.

"It tends to be less risky than individual stock investments that are dependent on changing revenue and earnings-growth expectations," he reports. "Index funds minimize risk through broad diversification, reduce impact of stock selection and market timing on performance and tend to have low portfolio turnover."

Broad-based index funds may also be more tax efficient than actively managed funds, adds Mark Wilson, president of MILE Wealth Management in Irvine, Calif. Because they are generally long-term investments, the manager has less pressure to sell stocks to meet redemption requests, limiting capital gains.

"This means you get to defer taxes, and more of your money is working for you," Wilson says.

Wilson agrees with Bacarella that index funds should be held long term. He has owned the same Vanguard S&P 500 index for more than two decades.

"I don't have to worry about the investment manager changing their strategy, (or) the manager retiring or leaving," he notes.

Holding a few index funds over time allows investors to put their investing in set-it-and-forget-it mode.

An investor can "get an efficiently diversified, ultra-low-cost portfolio

> *"It tends to be less risky than individual stock investments that are dependent on changing revenue and earnings-growth expectations."*

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that is virtually devoid of non-systematic risk and that can run virtually on auto pilot for long-term objectives such as retirement or college funding," says J.R. Robinson, owner and founder of Honolulu, Hawaii-based Financial Planning Hawaii and Nest Egg Guru.

The need to accept returns that could be painful during market corrections is one downside of index investing. When the Dow is down, Dow index funds are down. On the other hand, you might want to view a market correction as a great opportunity to aggressively add to your index fund holdings.

Tax concerns may be another negative. Investors who accumulate significant wealth in taxable accounts via long-term investment in stock index funds may face tax headaches later when they wish to convert these to income, Robinson says.

"Similarly, unpredictable annual capital gains distributions can present tax-planning problems," he adds.

Finally, while index funds have ultra-low internal expenses, individual bonds and CDs and rising dividend stock portfolios may be more tax efficient and at the same time offer zero internal fees and expenses, Robinson says.

But overall, index funds should play a role in everyone's portfolio, and they should be the first investment for most people with a long-term strategy, Bacarella says.

"It is the core holding of an investment portfolio that should be held over the long term (with) no market timing and no shifting to cash."

The no-fee **fund wars**

Vanguard, Fidelity in battle to lower costs for investors

Tribune News Service

No-fee mutual funds are the latest salvo in the fund provider wars.

In August, Fidelity launched two mutual funds with no fees. Fidelity ZERO Total Market Index Fund (FZROX) and Fidelity ZERO International Index Fund (FZILX) are now available with no fees to individual retail investors who purchase shares through a Fidelity brokerage account.

The Boston investment giant also slashed fees on some existing index-based stock and bond funds, according to a news release.

Publicity stunt? Yes, but competitors such as the robo-adviser Betterment said these fee wars will continue raging.

"There has been a consistent march toward lower fees between fund providers, and Vanguard has always been competitive," Betterment senior portfolio researcher Adam Grealish said about the Fidelity zero-fee salvo. "I expect that to continue."

Just a month after announcing it would become the first financial company to offer no-fee index mutual funds, Fidelity had attracted roughly $1 billion into the two portfolios, CNBC reported in September. On Sept. 18, Fidelity launched two more zero-expense ratio index mutual funds.

So, how does Fidelity make money by giving things away?

Analysts and others who work in the industry said Fidelity is luring in young investors and they expected it would try to sell more of its other wares — at least one of them probably in the form of advice, The New York Times reported. The company may try to get investors to pay a separate fee to manage their money or perhaps try to entice them aboard its digital-investing platform, Fidelity Go.

In the wake of the challenge, Vanguard in November announced it would lower investment minimums for the low-cost Admiral shares of many of its funds. The company estimates the action will save clients $71 million.

Investment minimums for the Admiral shares were lowered from $10,000 to $3,000 for 38 index funds.

Among Vanguard's 38 funds with lower minimums are the industry's two largest equity index funds (the $707.6 billion Vanguard Total Stock Market Index Fund and the $431.2 billion Vanguard 500 Index Fund); and the industry's largest bond index fund (the $199 billion Vanguard Total Bond Market Index Fund).

The low- and no-cost fund war is great news for investors, but fees aren't everything. Investors should consider both expense ratio as well as performance vs. the benchmark index the fund seeks to track.