



What you should know about...

INVESTMENT FEES



An investor education and protection program from the Investor Protection Institute

Investors are happy when their profits multiply faster than mosquitoes in a swamp. Unfortunately, fees add up just as quickly, and even savvy investors may not realize what they actually pay in investment expenses.

Reduce those fees to keep more of your nest egg!

Want to estimate what fees cost you? Use the calculator at dinkytown.com

3 Fee Types

1 Plan Fees
(Accounting, Legal, Recordkeeping)

2 Investing Fees
(Fund Investment, Management)

3 Custom Fees
(Advisers, Annual, Individual, Special Requests)

Fees Stunt Investment Growth

Financial advisers get paid when they invest for you, whether those investments show a profit or loss.

It's wise to ask about fees upfront, since they could be negotiable. Also think about tax implications.

Mutual Fund Fees

- Charge to buy = front-end load
- Charge to sell = back-end load
- Rule 12b-1 fee = marketing fee
- Redemption fee = fee when sold
- Early withdrawal or transfer fees

<http://goo.gl/zHuw9>

\$125
per \$10,000*

What is the average annual fee charged by a mutual fund? About 1.25%.*
* Morningstar research

You Pay Fees on Employer Plans - 401(k)s

- Plan administration fees deducted from investment returns or employer pays
- Fees to invest your money deducted directly from your investment returns
- Custom fees assessed for special requests, such as taking a 401(k) loan
- ERISA requires employers follow certain rules when offering plans
- Often the larger the plan fund, the lower the fees

A fee by any other name... transaction fee or ongoing fee?

Investors often pay one-time *transaction fees* (sales loads, commissions, markups, surrender charges) and *ongoing fees*. Even seemingly small, ongoing fees have big impact over time.

What is an Expense Ratio? The cost of owning a fund.

1-2%
per year

The annual fee for asset management can be 1 to 2%.

Fees on Annuities

- Insurance-related fees = sales expenses, mortality risk charges, issuing contracts
- Surrender or transfer charges = to end contract or to withdraw your money
- Investment fees
- Administration, plan fees
- Management fees

<http://goo.gl/maEpt8>

Do the Math!

Two funds return the same 9% annually.

Fund A charges 2% in fees = 7% return to shareholders

Fund B charges .2% in fees = 8.8% return to shareholders

How much more must you invest to make up for higher fees?

↓ **The Bottom Line?** ↓

No one cares more about your money than you!



* Paying a 1% annual fee for 20 years? That's \$28,000 on a \$100,000 investment. Chart from SEC, Investor.gov.

- ◆ = 4% return, less 1% fee
- ◆ = Total \$ paid for 1% fee
- ◆ = Extra \$ you would have if fees were invested.