

# The True Costs of Investing

Do you *really* know what you're paying?

## Investment Fees Example

<b>Money to Invest</b>	<b>(100%)</b>
- Advisor Management Fee	(1%)
- Transaction Costs	(0.03%)
- Fund Expenses	(0.30%)
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<b>= Money Growing For You</b>	<b>(98.67%)</b>



### Advisor Fee:

If an advisor charges their fee based on asset under management (AUM), there will be a percentage associated with investments that is used to calculate the fee.

What you want to know is **the effective percentage being used by the advisor to calculate the fee.**



### Transaction Costs:

When certain investments are bought or sold there is a fee associated with that transaction. This fee isn't kept by your advisor, but paid to the broker directly.

**Explicit costs:** These include the direct cost of trading such as broker commission and costs, regulatory fee among others.

**Implicit costs:** These include the indirect costs caused by the market impact of trading such as bid-ask spread, market impact etc.



### Internal Fund Expenses:

This is a fee for the specific fund you're invested in and is paid to the fund manager (not your financial advisor). **Your advisor will choose which funds make sense for you and then can calculate the total expense ratio for your portfolio.** The range for passive and active strategies may vary widely according to the [research from the ICI](#):

**Asset-weighted Expense Ratio of Passive Funds**

**0.06%**

**Asset-weighted Expense Ratio of Active Funds**

**0.71%**



### Questions to ask your advisor about fees:

#### 1. What is the fee that you charge my accounts?

**Sample Answer:** The effective rate on your account will be 0.95% of the account value.

#### 2. What other fees are associated with my investments?

**Sample Answer:** The investment funds have expenses paid automatically from your account also. These average about 0.20% for your entire portfolio.

#### 3. Do I have any transaction costs?

**Sample Answer:** If we buy a mutual fund, there will be a \$15 fee that you will pay for the transaction. The fee is paid to the mutual fund company, I do not keep any of it.