

# Did your financial advisor cost you a new car last year?



## When it comes to investments, costs really matter.

With most products and services, a higher price usually indicates higher quality, but with investments, that's often not the case. Multiple studies have found that, on average, higher-priced investments deliver *worse* performance, not better.

## Could your investment advisor be costing you a new car?

The table below illustrates how an investment advisor might incur three different categories of costs for a client: his own advisory fee, fees charged by the funds he chooses and finally, taxes triggered by those funds. In total, for a \$2 million account, these might amount to more than \$50,000, *every year*.

	Percentage Cost	Dollar Cost
Investment advisory fee	1.00%	\$20,000
Mutual fund fees	0.75%	\$15,000
Estimated tax impact of funds	0.92%	\$18,400
<b>Total fees, expenses and taxes</b>	<b>2.7%</b>	<b>\$53,400</b>

## Additional fees and expenses to watch out for.

Depending upon your advisor's investment strategy and business structure, other fees to watch out for might include: distribution fees, sales loads, soft dollars, commissions, bond markups, and wrap fees.

## Do you know what you're paying?

Fortunately, you have options. If you feel like you've been paying more than necessary, you may wish to learn more about Mayport Wealth Management, offering financial planning and investment management on a straightforward fixed-fee and hourly basis.

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## SOURCES

Multiple studies have demonstrated the relationship between investment performance and investment expenses. Examples include:

*"In Investing, You Get What You Don't Pay For,"* John C. Bogle, Presentation to The World Money Show, February 2, 2005.

*"How Expense Ratios and Star Ratings Predict Success,"* Russel Kinnel, Morningstar, August 9, 2010.

*"Shedding Light on 'Invisible' Costs: Trading Costs and Mutual Fund Performance,"* Roger Edelen, Richard Evans, and Gregory Kadlec, Financial Analysts Journal, Volume 69, Number 1, 2013.

Average investment advisory fee: PriceMetrix, 2014, as cited by The Vanguard Group:  
<https://investor.vanguard.com/financial-advisor/financial-advisor-fees>.

Mutual fund fees: *"U.S. Fund Fee Study"*, Morningstar, May 23, 2017, Page 4, Exhibit 2.

Estimated tax impact of funds: *"Keys to improving the odds of active management success,"* The Vanguard Group, October 2015, page 19.

## DISCLOSURES

*This analysis is an illustration for educational purposes only and should not be construed as investment advice. Your individual results will depend upon many factors, including the size and composition of your investment portfolio, the performance of your investments and the tax treatment applicable to your investments in any given year.*

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