



Understanding Investment Fees and its Impact

Ordinarily, investment fee may look like little, but over the long-term, it could add up to a very significant amount. As a matter of fact, in instant, it could mean the difference between a positive growth in your investment asset that can translate to retiring well, or a negative one with its compounding effect along with returns on your portfolio which could led to a miserable retirement!

As an example, let's assume you have \$100,000 invested, and it generates an average 6% return each year. Let us further assume the investment horizon (invested for) 25 years.

If you do not pay any fees, your \$100,000 at the end of the 25 years would generate about \$330,000 and you overall portfolio would be about \$430,000 – (Your \$100,000 initial investment, plus \$330,000 in investment growth).

In athwart i.e., let's assume you invested the same \$100,000 the same way, but you have to pay 2 percent in annual fee each year of the 25 years; at the end of the 25 years, your investment would have generated about \$160,000!! The 2 percent fee over the 25 years would translate to \$170,000 pay-out which means your portfolio would take a 40% impact when compared to the no fee account above.

The net value of your fee account would be \$260,000 (Your initial \$100,000 plus \$160,000 investment growth net of the \$170,000 – 2% in annual fee paid).

So, you paid 2% in fee per year to lose 40 percent of your investment. The take away, FEES MATTERS!!!

Types of Investment Charges and Fees

There are numerous investment fees and charges. Some are transparent, and many are hidden even where there is a legal obligation and requirement to disclose. Most of these charges and fees are dependent on the types of investments and products.

In general, the following are some investment and product related charges and fees which could be charged monthly, quarterly or annually:

1. Management Fees
2. Performance Fees
3. Rider Fees or Charges
4. Administrative Fees
5. Technology and Access Fees
6. Convenience Fees
7. Trading cost or charges
8. Asset Fees
9. Entry and Exit Fees
10. Disbursement Fees
11. Advisory and Adviser Fees
12. Fund Fees
13. Annual Fund Expense
14. Issuing Fees
15. Ongoing Expense charges
16. Sales Load or Sales Charge
17. Transfer Fees
18. Account Fees
19. Maintenance Fees
20. Overdraft fees
21. Miscellaneous Fees
22. Other