Paying Attention To Investment Fees.

Is a 1% higher cost in investment fees insignificant?

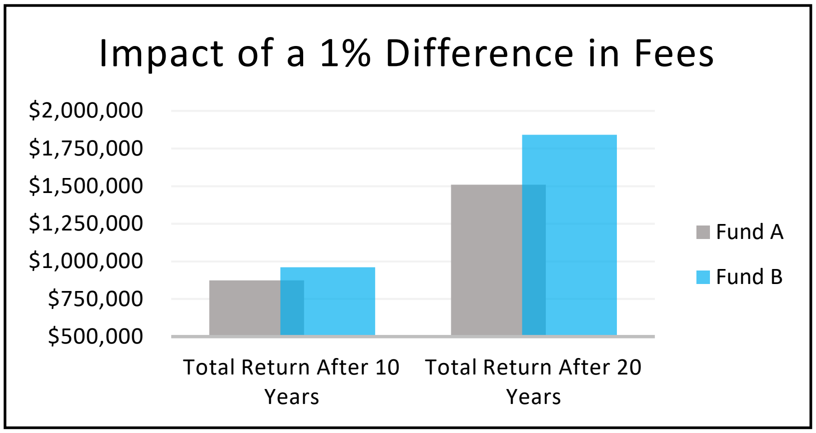
A 1% difference in investment fees may not sound like much. But over a long enough time horizon, it can be the difference between hundreds of thousands of dollars in investment returns. Let's take a look at a hypothetical example involving two separate $500,000 investments.

The first $500,000 will go into Mutual Fund A, and the second $500,000 investment will go into Mutual Fund B. For simplicity, we will assume both mutual funds will provide a 7% annual return, and are identical in all ways except for the fees they charge the investor. Mutual Fund A will charge the investor 1.25% of the total investment annually, and Mutual Fund B will charge .25% of the total investment annually, a full percentage point lower.

Assuming the only difference between these mutual funds are the fees, we can see a comparison below.

	Fund A	**Fund B**
Investment Amount	$500,000	$500,000
Annual Return	7%	7%
Annual Fees	1.25%	.25%
10 Year Total Return	$874,528	$960,835
20 Year Total Return	$1,529,598	$1,846,408
Dollar Difference (20 Years)	- **$316,809**	
Reduction In Value	- **21%**	

As you can see, after 10 years of earning a 7% annual return, Mutual Fund A's net return to the investor is almost $100,000 lower than the total return of Mutual Fund B. The fee becomes even more impactful when carried out to 20 years. Fund B's net return exceeds Fund A's by over $300,000. That's over a quarter million-dollar difference and certainly nothing to sneeze at! As you can see, because of how compounding works over time, that seemingly insignificant 1% in higher fees really starts to add up. And the longer one holds the investment, the more significant that fee becomes.



We're not advising you to base investment decisions on fees alone.

Of course, there may be a valid reason to choose one investment that has higher fees over a lower fee alternative. Not all investments perform identically, and sometimes investments with higher fees can justify their fees by offering better returns. But often, investments with higher fees than their peers are just more expensive plain and simple.

We love low cost ETFs and Mutual Funds, and are advocates of passive investing strategies.

As fiduciaries, we are always looking at ways to help our clients keep more of their investment returns in their own pockets, instead of losing a portion of those returns to unnecessarily high fees. That's why we design portfolios for our clients utilizing low cost ETFs and Mutual Funds.

We'd love to sit down with you and determine if your investment fees can be lower.

If you're not sure what fees you're paying on your investments, or whether or not your fees are high compared to similar alternatives, we'd be happy to sit down with you to conduct a free portfolio review. If you're paying high fees unnecessarily we'll direct you to some alternative investment choices that could end up saving you thousands of dollars. To schedule an appointment with us, simply call us at 208-402-8552 or send an email to jmorris@cfiemail.com. We look forward to helping you invest more wisely!